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Automotive News

January 13, 1986

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Economists: best of times may be over

By Michelle Krebs
Financial Editor

Economists say the best of the good years are over for the U.S. domestic auto industry—and that 1986 will be a good, but not a banner, year.

Today's Automotive News World Outlook concludes that 1986 will set the stage for a series of down years that will go into the next decade and maybe the next century.

The import share—mainly Japanese—of the U.S. auto market will continue to rise, likely surpassing three million units this year, up from 2.8 million in 1985.

North American car production, which includes the U.S. and Canada, will fall, dropping by nearly 1.3 million units in 1986, while Japanese makers boost production in the U.S. and Japan.

By the 1990s, Japanese auto production in the U.S. will reach 1.4 million units of capacity, according to the World Outlook, a quarterly service of Data Resources, Inc., and Automotive News. At the same time, U.S. makers and suppliers will rush offshore for cheaper sourcing.

The trend, which will be evident in 1986 and firmly entrenched by the 1990s, means the best years have passed for domestic auto makers and domestic automotive suppliers as global competition intensifies, economists say.

The grim scenario for the 1990s depicts a U.S. market with overcapacity, layoffs, collapsing prices and financial difficulties among U.S. manufacturers, a situation

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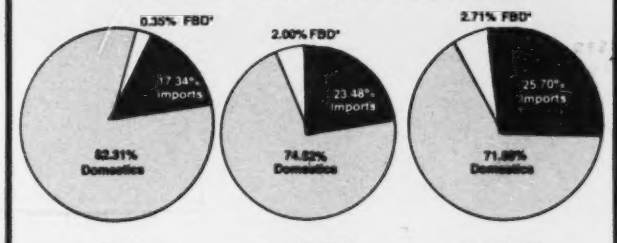
1985 SALES AT A GLANCE



11,308,498	10,393,230	11,042,658
1978	1984	1985

*Foreign-Based Domestics: Accord, Golf/Rabbit, Nova, Sentra

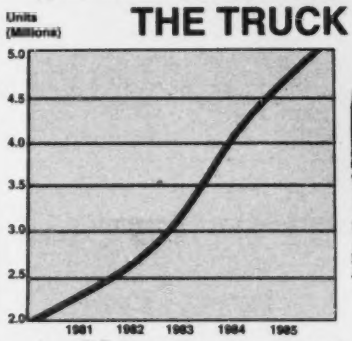
Top Nameplates

1. Cavalier — 431,031
2. Escort — 420,690
3. Celebrity — 363,619
4. Cutlass Ciera — 333,585
5. Chevrolet — 245,826

The Record Breakers

Oldsmobile	1,006,122	BMW	87,857
Toyota	620,047	Mercedes-Benz	86,903
Nissan	575,166	Audi	74,061
Honda	552,389	Mitsubishi	48,734
Mazda	211,093	Saab	39,264
Subaru	178,175	Isuzu	28,953
Volvo	104,267	Porsche	25,306
		Jaguar	20,528

THE TRUCK BOOM



Sandy Schultz

Complete sales details . . . Page 46

Late News

Daihatsu pushes

OSAKA, Japan.—Daihatsu Motor Co. plans to increase production to one million units annually from the current 717,000 in about three years, according to President Tomonaru Eguchi. The company is seeking to boost sales of minicars to snare a market share of 10 percent, compared with the current 7.9 percent.

U.K. sales set record

LONDON.—New-car sales in the U.K. set a record of 1,832,408 in 1985, according to the Society of Motor Manufacturers and Traders. The total was up 4.7 percent from 1984 and topped the previous record, set in 1983, by 2.8 percent. Ford Escort, with 157,269 units, continued as the top seller, followed by Vauxhall Cavalier, 134,335, and For

Deale
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Time

'Better' gas needed, GM tells oil firms

By Louise Kertesz
Detroit Reporter

A letter sent by General Motors Vice Chairman Howard H. Kehrl to major oil companies said that currently available gasoline causes operating problems in engines with port fuel injection (pfi).

Oil companies contacted by Automotive News don't agree with GM and, at presstime, GM was downplaying the situation.

The letter was excerpted for the press by Mobil Oil Corp. Since GM singled out Mobil as a gasoline that prevents the pfi problems, the letter has also fueled an advertising campaign which is in the works there. "This is a hot pancake on our griddle," a Mobil spokesman said.

The problem is that deposits can form at the injectors' tiny openings, restricting fuel flow. More on the road have pfi—which is increasingly replacing carburetors. Other makes are also adopting such systems.

"At present and for the foreseeable future, there is a need for gasolines in the marketplace that will prevent the injector deposits," Kehrl said.

He told the oil companies, "I would appreciate learning as quickly as possible of your plans to market and advertise gasolines that perform optimally with port fuel injector systems so that we can inform our customers."

He added, "Mobil is presently marketing and advertising such a fuel."

Kehrl concluded, "I am certain you will agree that this is a critical situation which affects both the petroleum and the auto industries."

A GM spokesman told Automotive News that the letter—sent in mid-November—is just part of the historical dialog between auto manufacturers and the oil companies, through which the oil industry has responded to the auto makers' changing needs.

Please turn to Page 42, Col. 1

GM sportsters to get top-secret engine for '91

By Michelle Krebs
Financial Editor

The 1991 Pontiac Firebird and Chevrolet Camaro will be the first General Motors models to use GM's top-secret Manhattan Project engine.

The Manhattan Project, named after the World War II atom bomb operation, is charged with developing an ultra-lightweight, high-output small engine using alternative materials including ceramics.

The totally redesigned GM80 cars—Firebird and Camaro—will be introduced in 1990 but the new engine won't be available until the following model year, sources say.

The GM80 models also will have plastic body panels hung on a space-frame structure like the Pontiac Fiero. In addition, GM is considering a four-wheel-drive version. Sources at supplier companies say GM has discussed with them the purchase of components for a four-wheel-drive system.

The Manhattan Project engine is said to include the use of lightweight alloys—aluminum and magnesium—and ceramics.

Ceramics experts say a largely ceramic engine is still 10 to 15 years away because the costs are prohibitive. Nevertheless, nearly every auto maker is in hot pursuit of ceramic technology.

Ceramics withstand high temperatures and could bring about an efficient and powerful engine that retains heat energy normally lost through the cooling system and tailpipe.

In addition, ceramics are extremely hard, which raises the possibility of improving engine wear or eliminating some or all of the lubrication system.

GM is very interested in a ceramic engine and has talked recently with its Japanese affiliate, Isuzu, about its ceramic technology, sources said. GM owns about 34 percent of Isuzu, which has said it will have a ceramic engine by 1990.

The Manhattan Project is GM's first effort in more than a decade to design a new engine with a clean-sheet approach.

GM is in a hurry to put the engine into production. A year ago, Manhattan was only a research project. By last summer, GM had announced it would build a $61-million, 360,000-square-foot home for the 300 design and engineering people working on Manhattan Project and other prototype engines.

Tracer said name of Ford from Mazda

By Richard Johnson
Detroit Reporter
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Ford of Canada reportedly has settled on Tracer as the name for the Mazda 323-based front-wheel-drive subcompact it will import from Taiwan beginning later this year.

The Ford subsidiary is planning to import 30,000 units annually beginning this fall, responding to Hyundai's successful entry into the low end of the Canadian market.

A Ford of Canada spokesman said last week that the vehicle has not been named, but company sources have pegged Tracer as the label. Asked about Tracer rumors, the Canadian spokesman said, "That's the one I've heard most consistently."

A Ford spokesman in Dearborn said the Tracer name for Canada is under consideration but "not pinned down."

The cars will be assembled by Ford's Taiwanese affiliate, Ford Lio Ho, and sold as 1987 models through both Ford and Lincoln-Mercury dealers. They will supplement the company's Canadian line rather than replacing an existing model.

Ford has said the 1,600-cc sedan will be priced competitively with other cars from low-labor-cost countries. The car is based on Mazda's new 323 subcompact, according to company sources, but

Please turn to Page 42, Col. 4

Hidden Image

What is it, Mazda or Mustang?

Recently spotted undergoing testing in the U.S. is this sporty coupe. The two-door, based on a Mazda 626, features aerodynamic headlights, stylishly bulged fenders and a semi-wraparound backlight. Under the skin is a turbocharged four-cylinder engine and an antilock braking system. The real question: Will this show up in the Mazda 626 line or could it be the next Ford Mustang?

Toyota keeps lid on exports to U.S.

NAGOYA, Japan.—Toyota President Shoichiro Toyoda said his company plans to continue to keep exports to the U.S. below one million units in 1986, according to Kyodo News Service.

Toyota exported 940,000 cars and trucks to the U.S. in 1985.

Concerning the strategy Toyota has adopted in connection with its plan to start production in Georgetown, Ky., in 1988, Toyoda told the news service that the company would make every effort to reinforce its sales network, particularly in the Midwest.

On Toyota's interests in other markets, Toyoda said his company decided to reverse an earlier decision and set up a joint automotive parts production venture in Taiwan.

He said the Taiwanese Government now has a better understanding of Toyota's idea of gradually raising the local content of motor vehicles built there, first by aiding the growth of the Taiwanese parts industry.

Earlier, Toyota had turned down a government request for a joint venture in Taiwan to build cars because of a disagreement over local content and other requirements.

Toyoda told Kyodo that Taiwan could become an export base for Toyota in the future if quality and cost conditions are met.

Toyoda also said Taiwan and South Korea used to be "distant countries" in a business sense for Toyota. He said his company now would work to build up sales to such countries.

According to Kyodo, Toyoda attributed the recent plunge in exports to China chiefly to that country's reduced foreign currency reserves. He also said there would be no change in Toyota's policy of aiding the growth of China's automotive industry.

Wagner to head Toyota sales

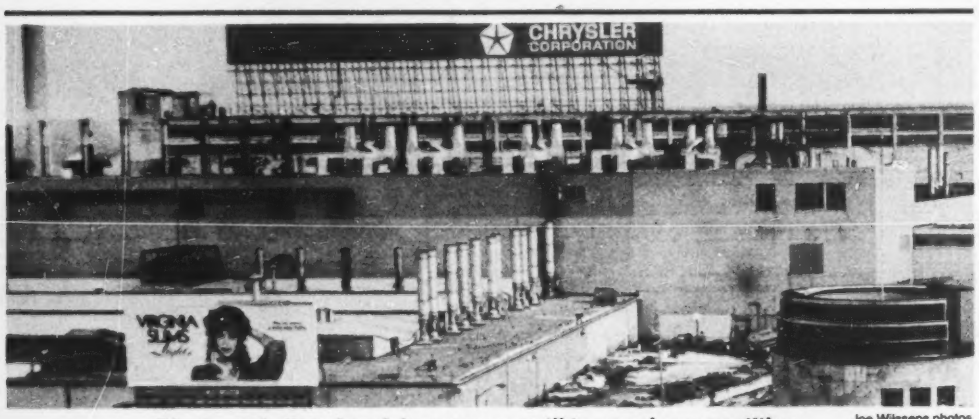
Albert W. Wagner

TORRANCE, Calif.—Albert W. Wagner has been named national sales manager for Toyota Motor Sales, U.S.A. He succeeds Robert W. McMillan, sales vice president, who will retire.

James E. Press has replaced Wagner as general manager of the San Francisco region. Press has been general marketing and distribution manager since January, 1985.

Wagner joined Toyota in 1984 after 22 years with Chrysler Corp. His last post at Chrysler was Dodge advertising manager.

Press has been with Toyota since 1970 and and has served in marketing, distribution, product planning and service assignments.



Plant needs "modern labor agreement" to remain competitive

Joe Wilssens photos

Chrysler Jefferson on hot spot

By Mary Connelly
Detroit Reporter

Chrysler Corp. has signaled to the UAW it wants a streamlined labor agreement at its aging Jefferson Avenue assembly plant in Detroit.

Chrysler said it has discussed with the union the long-range future of the plant and the need for a "modern labor agreement" to remain competitive.

Chrysler is striving for fewer job classifications and simplified work rules at its plants, including Jefferson, to boost productivity and flexibility.

Chrysler has no product plan for the Jefferson plant after the 1987 model year. The plant builds compact Plymouth Reliant and Dodge Aries models.

Union and Chrysler officials have been meeting to reach a local agreement following ratification of a three-year national contract in October.

The union said it has not yet received a proposal from Chrysler but said it expected a request for a "streamlined" agreement.

"We are waiting for Chrysler to make a proposal," said Wolf Lawrence, president of UAW Local 7, which represents workers at the plant. Lawrence said a Jan. 26 membership meeting has been scheduled to discuss a possible new labor agreement.

The City of Detroit has also been involved in "tripartite" talks with Chrysler and the UAW in an effort to keep the plant operating. The city has not specified what inducements it will offer Chrysler to renovate, and possibly expand, the plant.

The UAW/Chrysler agreement contains a letter of intent stating that the plant will continue operating through the 1987 model year.

Gerald Greenwald fends off reporters

"The important thing is everyone is talking and looking at a future for Jefferson Avenue," UAW President Owen Bieber said last week.

"The Chrysler department of the UAW wants to do what it can to keep Jefferson alive and to keep employment in Detroit," said a union spokesman.

"It's not unique to Jefferson," a Chrysler spokesman said of possible proposals for changes in the traditional contract. "We've tried to do it at other plants as well."

Japanese urged to extend curbs

By Geoff Sundstrom
Washington Reporter

WASHINGTON.—Thirteen senators have sent letters to Japanese Prime Minister Yasuhiro Nakasone and Michio Watanabe, head of the Ministry of International Trade and Industry, urging another year's extension of Japan's 2.3-million limit on car exports to the U.S.

The letters were initiated by Senator Dan Quayle, Indiana Republican, and were signed by four other Senate Republicans and eight Democrats.

They inform the Japanese Government that "this would be an especially unfortunate time for Japan to further increase its auto imports to the U.S., and in so doing further exacerbate our already tenuous trade relationship."

The identical letters say, "We respectfully urge you to make every effort to encourage further voluntary restraint on the exportation of automobiles to the U.S. Without such efforts, the trade imbalance that now exists between our two countries may well continue to grow, fueling sentiment for more unilateral trade protection in the U.S."

Quayle's letters to the Japanese began, "In March, 1986, export limits voluntarily imposed on the sale of Japanese automobiles to the U.S. will expire.

"We write to you today to urge that, as part of an overall effort to bring about a more equitable trade relationship between the U.S. and Japan, the voluntary restraint on exports of automobiles to the U.S. be extended for another year at the current 2.3-million-unit level."

The letters say that recent measures undertaken by both the U.S. and Japanese governments to ease trade friction are "welcomed," but that "good intentions have not produced adequate results."

The senators said that "while the U.S. auto industry has regained much of its economic vigor, many of our domestic industries that suffer from a lack of market access or from dramatically growing imports have not."

The senators called specifically for unrestricted market access in Japan for U.S. telecommunications, service and agricultural products.

Besides Quayle, the letters were signed by the following Republican senators: Richard Lugar, Indiana, chairman of the Senate Foreign Relations Committee; John Heinz and Arlen Specter, Pennsylvania, and Robert Kasten, Wisconsin.

Democratic senators signing the letter were: Thomas Eagleton, Missouri; Alan Dixon and Paul Simon, Illinois; John Glenn and Howard Metzenbaum, Ohio; Donald Riegle and Carl Levin, Michigan, and William Proxmire, Wisconsin.

Iacocca sees lid kept on by Japanese

By Mary Connelly
Detroit Reporter

LOS ANGELES.—Chrysler Corp. Chairman Lee A. Iacocca said he does not expect Japanese auto makers to boost exports to the U.S. beyond current levels.

Addressing a news conference at the Greater Los Angeles Auto Show, Iacocca also said dollar/yen changes, proposed federal tax reforms and use of financing incentives may aid domestic producers in fighting off additional market penetration by imports.

"I imagine they'll hold still at 2.3 million, plus their production here, plus their parts shipments," Iacocca said.

Iacocca also predicted one more price hike by Japanese makers during the current model year. Coupled with recently announced increases, he forecast price hikes totaling $800-$1,000 on a "run-of-the-mill Toyota."

Domestic makers' market penetration could increase, he said, as the cost difference between American and Japanese models is narrowed due to import price hikes and domestic financing incentives.

Iacocca said he expects financing incentives to continue throughout the model year on selected car and truck models to prevent production cutbacks.

Iacocca spoke at the unveiling of the Maserati-Chrysler luxury sports coupe code-named the Q-coupe.

"There is a market for this car," he said. "I think it's a niche fairly small but growing. I imagine the Japanese will be countering with cars in the $25,000 class soon."

Both Iacocca and Alejandro De-Tomaso, who heads Maserati, said they anticipate additional joint ventures.

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60th year—No. 5109

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JWT Ford Germany account wobbly

Ford Motor Co. in Germany is reviewing its $26 million account, and Young & Rubicam stands a good chance of taking it away from J. Walter Thompson Co., Advertising Age reports in this morning's edition.

A decision is expected by mid-February. Both JWT and Y&R will make presentations to Ford at the end of this month.

The German account is Ford's biggest on the European continent, although the U.K. account, handled by Ogilvy & Mather, is bigger.

"We looked at several agencies that had offices in Germany, but the ones of interest to us outside of our own already had car accounmts, said Douglas McClure, advertising director for Ford's worldwide marketing staff.

Ford's market share in Germany has slipped dramatically, falling from a 15-percent share in the 1970s to 12.2 percent for 1984 and to 10.7 percent by the end of last year. However, a Ford spokesman said the declining market share had nothing to do with the decision to interview other agencies.

Ogilvy & Mather may also be in danger of losing its U.K. account in the longer term, Advertising Age reports.

TV ad spending on rise for autos

By Edward Lapham
Marketing Editor

Spending for automotive advertising on television rose 21 percent in the first nine months of 1985 to more than $1.4 billion, according to the Television Bureau of Advertising.

TVB, which monitors commercial television advertising, said the automotive segment remains the second largest.

Of the three major categories measured by TVB, spot market advertising by dealer associations showed the biggest increase, up 39 percent to nearly $250 million.

Total spending by manufacturers, for both network and spot, rose 16 percent to more than $940 million in the January-September period. Spending by individual dealers in the top 75 markets rose 27 percent to $237.8 million.

In the dealer association category, Nissan dealer groups posted a 51-percent increase to $34.4 million for the first nine months of the year to rank first.

However, two new listings, multi-brand association spending at Chrysler and Ford, posted the largest gains, 182 percent and 206 percent, respectively.

Multi-brand dealer association spending at GM, largely for trucks, rose 14 percent.

Among individual dealers in the 75 largest markets, Cal Worthington's Los Angeles operation continued to be the big spender, with a 33-percent increase to $2.7 million.

Ford Motor Co. took over the top spending spot, up 8 percent to more than $149 million.

GM, which traditionally had led the pack, cut its spending 9 percent to $138.3 million in the first nine months of the year.

Nissan, which shifted much of its spending into dealer association buys, cut its corporate spending 7 percent.

AMC spending was off 8 percent.

TV ADVERTISING EXPENDITURES BY LEADING UNITS

(Includes passenger cars and trucks)

	1984 Network	1984 Spot TV	1984 Total TV	1985 Network	1985 Spot TV	1985 Total TV	Percent Change
General Motors	$125,505,300	$25,169,700	$150,675,000	$102,503,100	$35,845,900	$138,349,000	− 9
Ford Motor Company	108,303,800	29,266,600	137,570,400	122,380,900	26,753,600	149,134,500	+ 8
Chrysler Corp.	58,862,100	14,081,500	72,943,600	63,697,600	21,430,100	85,127,700	+ 17
Nissan Motor Co.	33,830,400	32,899,900	66,780,300	25,244,000	36,804,800	62,048,800	− 7
Toyota Motor Sales	9,405,200	44,366,700	53,771,900	16,236,100	52,507,900	68,744,000	+ 28
American Motors	40,992,400	4,382,600	45,375,000	39,618,100	2,172,200	41,790,300	− 8
Volkswagen A.G.	8,963,100	12,070,200	21,033,300	24,667,300	10,668,600	35,335,900	+ 68
Mazda Motors	18,365,200	2,091,000	20,456,200	27,431,800	3,882,200	31,314,000	+ 53
Honda Motor Co.	2,987,700	3,300,000	6,287,700	18,180,500	996,700	19,179,200	+205
Fuji Heavy Ind.	7,248,200	3,859,800	11,108,000	7,181,300	4,941,900	12,123,200	+ 9
Bavarian Motors Works	1,920,700	4,689,700	6,610,400	8,450,800	2,866,700	11,317,500	+ 71
Daimler-Benz	8,306,200	73,500	8,379,700	7,136,200	3,197,000	10,333,200	+ 23
Mitsubishi Corp.	0	8,368,800	8,368,800	0	9,303,700	9,303,700	+ 11
American Isuzu Motors	3,199,700	1,490,300	4,690,000	3,798,500	2,965,600	6,764,100	+ 44
Porsche A.G.	0	575,900	575,900	2,574,600	459,600	3,034,200	+427
Volvo A.B.	331,700	4,056,900	4,388,600	435,600	2,289,100	2,724,700	− 38
B L Ltd.	0	445,500	445,500	0	1,444,800	1,444,800	+224
Saab Scania A.B.	0	608,600	608,600	0	966,600	966,600	+ 59
TOTAL	$437,100,300	$372,003,500	$809,103,800	$469,455,400	$471,047,700	$940,503,100	+ 16

Source: Television Bureau of Advertising from Broadcast Advertisers Reports. data. Includes cars, vans, trucks

LEADING TV AUTO DEALER ADVERTISERS

January – September, 1985

	1984	1985	Percent Change
Cal Worthington (Los Angeles)	$ 2,047,000	$ 2,720,200	+ 33
Potamkin Cadillac (New York)	2,035,700	2,061,300	+ 1
Cal Worthington (Sacramento)	729,500	1,840,000	+152
Celozzi-Ettleson (Chicago)	1,564,800	1,727,400	+ 10
Jeff Legum Chevrolet/Datsun (Baltimore)	1,340,600	1,212,700	− 10
Pete Ellis Dodge (Los Angeles)	1,095,500	1,369,000	+ 25
Wilson Ford (Los Angeles)	933,400	1,568,600	+ 68
Kelly Chevrolet(Miami)	355,500	1,177,500	+231
Cal Worthington (Seattle)	940,600	1,343,000	+ 43
Casey Chevrolet (Norfolk)	890,300	816,100	− 8
Suburan Ford (Sacramento)	566,900	1,120,400	+ 98
Piemonte & Arlington Heights Ford (Chicago)	387,400	895,800	+131
Gulf Coast Dodge (Houston)	499,700	849,300	+ 70
Nationwide Datsun (Baltimore)	633,800	768,600	+ 21
Long-Lewis Ford (Birmingham)	590,100	1,139,800	+ 93
TOTAL	$187,961,500	$237,833,600	+ 27

Source: Television Bureau of Advertising from Broadcast Advertisers Reports data in the top 75 markets.

TOP TV DEALER ASSOCIATION ADVERTISERS

January – September, 1985

	1984	1985	Percent Change
Nissan/Datsun	$22,838,400	$34,402,100	+ 51
Ford	18,831,300	23,619,300	+ 25
Chevrolet	17,912,500	25,813,600	+ 44
Oldsmobile	13,873,800	25,639,500	+ 85
Pontiac	13,174,900	22,649,500	+ 72
Buick-Opel	10,718,600	13,531,200	+ 26
Dodge	9,065,800	12,207,300	+ 35
Mazda	6,953,000	8,688,600	+ 25
Subaru	8,053,000	8,653,800	+ 7
Toyota	6,752,700	6,324,400	− 3
Honda	4,444,900	7,835,800	+ 76
Lincoln-Mercury	4,634,800	3,924,500	− 15
BMW	4,350,800	8,157,400	+ 87
Cadillac	4,300,900	8,854,200	+106
Renault	4,438,500	5,872,500	+ 32
Volkswagen	4,221,600	5,125,800	+ 21
Chrysler-Plymouth	4,595,600	5,666,800	+ 23
General Motors	3,650,700	4,176,100	+ 14
Lincoln-Mercury	4,634,800	3,924,500	− 15
Chrysler Corp.	1,344,500	3,788,600	+182
Ford Motor Co.	949,800	2,907,600	+206
TOTAL	$179,059,100	249,360,6000	+ 39

Source: Television Bureau of Advertising from Broadcast Advertiser Reports data in the top 75 markets.
Dealer associations television advertising only on spot television.

Volvo brass embroiled in stock fray

Pehr G. Gyllenhammar

By Stig Bjorklund
Staff Correspondent

GOTHENBURG, Sweden.—Volvo's two top executives are among 30 Swedish executives embroiled in a political and media controversy over a stock market investment that netted them large gains.

The government has launched an investigation into the practice—common in this country—whereby company executives are given a chance to buy stock in a company when small stockholders are not. Involved are Volvo President Pehr G. Gyllenhammar and Managing Director Hakan Frisinger and about 30 other executives from other Swedish companies.

Three years ago, a Volvo subsidiary, Soneson, acquired a privately held medical company, Leo. When Soneson decided two years ago to issue a separate, private, stock for Leo, it offered the 30 executives shares at the same favorable price it paid for them.

Then, several months ago, the stock was listed on the exchange for the first time. Sales of the shares opened at considerably higher prices, allowing the executives gains that in some cases reached millions of dollars.

The transaction was revealed in the press the day before the traditional Volvo press conference announcing the results of the first nine months of 1985.

Reporters centered their questions more on Gyllenhammar's business ethics than on the financial results of Volvo, angering Gyllenhammar, who declared his honor was worth more to him than any private profit. He said he would sell his shares, at the original price, to the cancer research fund set up in the name of the Volvo founder, Assar Gabrielsson.

The massive press coverage that followed snowballed into a political dispute concerning the so-called pilot practice that allows executives to make such profits when small stockholders in a company cannot. In the wake of the Leo Affair, as it was called, the Soneson chairman resigned, and an executive of the bank that financed the executives' stock purchases—and who bought stock himself—was fired.

The press reported a schism between Gyllenhammar and Frisinger because Frisinger refused to abstain from his profits, which were substantially higher than Gyllenhammar's.

The affair got so hot that the Socialist prime minister announced an official investigation into what happened and how a similar situation could be avoided in the future. A three-person investigation commission was quickly set up to start its work at the beginning of this year.

Its findings are also to be sent to tax authorities. The tax question: Whether Gyllenhammar's donation of his shares will exempt him from taxes on the gain.

Attack on gray market fizzles

By Jake Kelderman
Washington Reporter

WASHINGTON.—A drive by some European makers and their congressional allies to put an end to the gray market in automobiles has apparantly ended, and the winners are the gray marketers and the consumers who buy their products.

Under compromise legislation already worked out in the Senate and in process in the House, gray marketers will continue to be able to sell their products in the U.S. if they comply with the same requirements as those placed on full-line manufacturers.

"What we've tried to do here is level the playing field," said Senator Daniel Inouye, Hawaii Democrat.

Inouye was a sponsor of legislation that would have put severe limits on gray marketers but he ran into opposition from Senator Warren Rudman, New Hampshire Republican, who saw no need for such strictures and wanted retention of an open market.

The two worked out a compromise in the waning hours of the first session of the 99th Congress that would permit gray marketers to continue if they pay gas-guzzler taxes and CAFE penalties like other makers and recall their cars when a safety defect is found.

Certain foreign car makers and their dealers had argued before Congress that it was unfair for the gray marketers to sell their product here without having to meet the same financial requirments and responsibilities as the franchised dealers. THey also argued that some of the vehicles sold were never intended for the U.S. market.

The Inouye-Rudman compromise calls for the importers and modifiers to register with the Department of Transportation and for DOT to establish requirements for record-keeping, inspection of those records, penalty assessments and the like.

Once DOT accepts a vehicle as suitable for importation, any gray marketer may import the vehicle subject to completion of the necessary modifications.

The vehicle may not be sold, however, until the importer determines fuel-economy ratings for it, labels it for any gas-guzzler taxes and certifies that it was modified in accordance with perscribed procedures and that it meets all federal safety standards.

Their proposal also calls for the gray marketers to be responsible for recalling their cars, both when they discover a safety-related defect and when the original makers find one in a vehicle similar to that imported by the gray marketer. DOT would be required to establish regulations insuring that the gray marketers get the information they need to fix the cars if the original maker recalls the cars.

It is anticipated that the compromise measure will be considered for Senate passage shortly after the members return to Washington in mid-Janaury.

The time frame for final, full congressional passage is considerably longer, since the House must still pass its version of the measure. It was learned last week, however, that a compromise very similar to that reached in the Senate will likely be signed off soon in the House Energy and Commerce Committee.

Honda plans to build 220,000 cars in U.S.

TOKYO.—Honda of America Mfg. Co. will build 220,000 units of the Accord and Civic models at its Marysville (O.) plant in 1986—an increase of 51 percent over the 145,337 Accords built there in 1985, according to Tadashi Kume, president of Honda Motor Co., Ltd.

A new line at the plant will build the Accord hatchback, beginning in April. Beginning in July, the line will also build the Civic four-door sedan. The current line then will build only Accord four-door sedans.

By early 1988, the plant will have a capacity of 360,000 cars a year—a 20-percent increase over the company's initial production target.

That will bring Honda's total yearly auto production in North America (including the plant now under construction in Canada) to 440,000 units, Kume said.

He said that Honda intends to facilitate the planned production increase by further automating painting, welding and assembly operations, at a cost of about $60 million.

Kume also forecast 1986 Honda sales in the U.S. of 650,000 units, a 17.75-percent increase over the 552,000 sold in 1985.

Kume said that Honda plans to produce 1.53 million vehicles in Japan in 1986, 12.3 percent more than in 1985. If that target is met, Honda may replace Mazda Motor Corp. as the third-largest auto producer in Japan.

IMPORT REGISTRATION SHARES IN U.S.

	OCTOBER						TEN MONTHS				
	Regis., October, 1985	Percent Share of Market	Regis., October 1984	Percent Share of Market	Pct. Pt. Change '85 vs. '84		Regis., 10 mos., 1985	Percent Share of Market	Regis., 10 mos., 1984	Percent Share of Market	Pct. Pt. Change '85 vs. '84
Nissan	56,553	20.60	39,307	18.87	+1.73	Toyota	470,463	19.33	418,550	20.03	−0.70
Toyota	50,052	18.23	40,520	19.45	−1.22	Nissan	469,671	19.30	397,945	19.04	+0.26
Honda	39,608	14.43	40,385	19.39	−4.96	Honda	438,145	18.01	407,325	19.49	−1.48
Mazda	20,147	7.34	15,083	7.24	+0.10	VW	162,644	6.68	133,481	6.39	+0.29
VW	18,785	6.84	10,415	5.00	+1.84	Mazda	159,380	6.55	136,567	6.54	−0.01
Subaru	18,138	6.61	13,410	6.43	+0.18	Subaru	135,251	5.56	121,990	5.84	−0.28
BMW	8,769	3.19	5,401	2.59	+0.60	Volvo	88,470	3.63	81,569	3.90	−0.27
Volvo	8,579	3.12	6,320	3.03	+0.09	BMW	75,203	3.09	56,515	2.71	+0.38
Mercedes	6,661	2.43	5,753	2.76	−0.33	Mercedes	73,434	3.02	60,843	2.91	+0.11
Audi	6,377	2.32	6,285	3.02	−0.70	Audi	64,152	2.64	57,870	2.77	+0.13
Others	40,878	14.89	25,451	12.22	+2.67	Others	296,568	12.19	216,985	10.38	+1.81
TOTAL	274,547		208,330			TOTAL	2,433,381		2,089,640		
Share of U.S. Total		28.22		24.97	+3.25	Share of U.S. Total		26.42		24.65	+1.77

1984 numbers for New York State and Oklahoma, and Oklahoma, 1985, from manufacturers' sales records.

October total up 31 pct. to 274,547

Import registrations set record

By Jenny L. King
Detroit Reporter

New imported cars claimed a healthy 28.22 percent of the total market in October, and volume was up 31.78 percent over the year-earlier total.

German-built cars increased to 13.50 percent of the month's total from 11.69 percent a year earlier, and Japanese autos dipped to 71.57 percent from 73.94 percent.

According to monthly registration reports from R.L. Polk & Co., a record 274,547 imported cars were added to the books in October compared with 208,330 in the same month of 1984. Ten makes accounted for 85.11 percent of the month's import total, down from 87.78 percent the preceding year.

Imported-car sales were up 31.78 percent, and the 274,547 registrations represented 28.22 percent of the total U.S. market, up from 24.97 percent in October, 1984.

Nissan's record sales for the month put it in first place among the imports, up from third a year earlier. Nissan gained 1.73 percentage points. Toyota slipped into second place from the top spot a year earlier and simultaneously lost 1.22 percentage points. Honda, with steady numbers in a growing market, moved down to third place from second and forfeited 4.96 percentage points.

Mazda registrations, up 34 percent in number, gave the company the necessary impetus to stay ahead of fifth-place Volkswagen and sixth-place Subaru. Both the latter companies also had an excellent October. BMW leapfrogged from 10th to seventh place, with Volvo, Mercedes-Benz and Audi completing the list in that order.

Year-to-date import registrations were up 16.45 percent in number and expanded to 26.42 percent of the total U.S. market from 24.65 percent in the first 10 months of 1984. The 1985 total was 2,433,381 compared with 2,089,640 a year earlier.

Toyota maintained its grip on first place among the major imports but only by a few units. The number-one importer had 10-month registrations of 470,463 compared with 469,671 for second-place Nissan. Toyota's share of the market was off 0.70 percentage points while Nissan was up 0.26 percentage points from its year-ago share.

Honda slipped from second to third place and gave up 1.48 percentage points from its year-earlier market share of 19.49 percent. VW moved into fourth, pushing Mazda down to fifth place. Subaru and Volvo stayed in sixth and seventh places year to year, BMW moved to eighth from 10th, pushing Mercedes and Audi into ninth and 10th places, respectively.

Ten makes captured 87.81 percent of the year-to-date import market, down from 89.62 percent in 1984.

In October, 71.57 percent of the new import registrations were of Japanese origin, down from 73.94 percent a year earlier. Cars from West Germany represented 13.50 percent compared with 11.69 percent in 1984. U.S. "imports"—that is, VW Golfs, Honda Accords and Nissan Sentras assembled in this country—claimed 8.96 percent of the market, up from 8.01 percent. The numbers were as follows:

	Oct. 1985	Oct. 1984
Japan	196,489	154,036
W. Germany	37,066	24,358
United States	24,596	16,693
Sweden	11,443	8,791
France	2,106	2,519
Britain	1,793	1,029
Italy	541	886
Yugoslavia	513	0
Ireland	0	18
TOTAL	274,547	208,330

At the end of 10 months, Japanese cars represented 70.85 percent of the new import registrations, down from 71.97 percent a year earlier. West German cars had 13.89 percent, up from 12.46 percent, and U.S. imports advanced to 8.46 percent from 8.10 percent of the market. The numbers:

	10 Mos., 1985	10 Mos., 1984
Japan	1,724,069	1,503,886
W. Germany	338,112	260,457
United States	205,806	169,274
Sweden	121,673	109,139
France	20,634	26,259
Britain	16,413	14,373
Italy	5,923	5,932
Yugoslavia	751	0
Ireland	0	320
TOTAL	2,433,381	2,089,640

Registrations of imported trucks were up 28.23 percent October to October, to 83,405 from 65,045. Numbers for the major importers were:

	Oct., 1985	Oct., 1984
Toyota	28,707	25,109
Nissan	24,270	15,364
Mazda	11,153	10,375
Isuzu	6,637	—
Dodge Ram 50	—	5,797
Others	12,638	8,400
TOTAL	83,405	65,045

Year-to-date truck registrations of 801,394 were up 30.31 percent from 614,981 in 1984. Totals were as follows:

	10 Mos., 1985	10 Mos., 1984
Toyota	306,691	239,076
Nissan	223,631	161,596
Mazda	94,571	96,758
Isuzu	62,708	—
Dodge Ram 50	—	40,320
Others	113,793	77,231
TOTAL	801,394	614,981

TOP CARS

U.S. registrations for Ten Months, 1985 vs. 1984 Oklahoma and New York, 1984, and Oklahoma, 1985, from manufacturers' sales records.

1985 Position		Make	1984	Position
1—	1,338,395	Chevrolet	1,316,077	— 1
2—	1,182,139	Ford	1,063,987	— 2
3—	916,481	Oldsmobile	889,940	— 3
4—	736,849	Buick	768,966	— 4
5—	663,616	Pontiac	580,017	— 5
6—	470,463	Toyota	418,550	— 7
7—	469,671	Nissan	397,945	— 9
8—	453,671	Mercury	434,003	— 6
9—	438,145	Honda	407,325	— 8
10—	375,238	Dodge	299,405	—10
11—	323,138	Chrysler	266,995	—11
12—	285,013	Plymouth	234,301	—13
13—	254,819	Cadillac	256,012	—12
14—	162,644	VW	133,481	—16
15—	159,380	Mazda	136,567	—15
16—	136,903	Lincoln	118,802	—18
17—	135,251	Subaru	121,990	—17
18—	112,251	AMC	161,676	—14
19—	88,470	Volvo	81,569	—19
20—	75,203	BMW	56,515	—22
21—	73,434	Mercedes	60,843	—20
22—	64,152	Audi	57,870	—21
	296,568	Other Imports	216,985	
	192	Misc. Dom.	235	
	9,212,086	TOTAL	8,479,096	

Automotive News analysis of new-car registrations based on R. L. Polk & Co. statistical report.
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MARKET SHARES

TEN MONTHS
1985 VS. 1984

Make	1985 Market Share	1984 Market Share	Pct. Pt. Change '85 vs. '84
Chevrolet	14.53	15.52	−0.99
Ford	12.83	12.55	+0.29
Oldsmobile	9.95	10.49	−0.54
Buick	8.00	9.06	−1.06
Pontiac	7.20	6.84	+0.36
Toyota	5.11	4.94	+0.17
Nissan	5.10	4.69	+0.41
Mercury	4.92	5.12	−0.20
Honda	4.76	4.80	−0.04
Dodge	4.07	3.53	+0.54
Chrysler	3.51	3.15	+0.36
Plymouth	3.09	2.76	+0.33
Cadillac	2.77	3.02	−0.25
VW	1.76	1.58	+0.18
Mazda	1.73	1.61	+0.12
Lincoln	1.49	1.40	+0.09
Subaru	1.47	1.44	+0.03
AMC	1.22	1.91	−0.69
Volvo	0.96	0.96	+0.00
BMW	0.81	0.67	+0.14
Mercedes	0.80	0.72	+0.08
Audi	0.70	0.68	+0.02
Other Imports	3.22	2.56	+0.66
Misc. Dom.	0.00	0.00	−0.00
TOTAL	9,212,086	8,479,096	

Based on new-car registrations from R. L. Polk & Co. Oklahoma and New York, 1984, and Oklahoma, 1985, numbers from manufacturers' sales records.

Toyota renews pacts with two suppliers

TORRANCE, Calif.—A commitment to quality has earned two suppliers renewed contracts with Toyota Motor Sales U.S.A.

Crossville Rubber Products, Crossville, Tenn., will supply Cargo Van floor mats and 3M's Decorative Product Division, St. Paul, will supply truck stripes. Crossville will begin its second year as a Toyota supplier, as will the 3M unit.

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What's in the cards?

Six auto economists approach the '86 gaming table with "cautious optimism"

By Michelle Krebs

To those in the auto industry, a new year is like a poker game — unpredictable, full of risks, and sometimes calls for a bit of bluffing. Except in the car business, the stakes are a lot higher. For U.S. auto makers and suppliers, as they peek at the hands dealt them for 1986, no term better describes their gut feeling than "cautious optimism."

With fingers crossed, corporate economists of General Motors, Ford Motor Co., Chrysler Corp. and three auto supplier companies expect 1986 will be reasonably healthy. They see no reason to throw in their hands — for now.

"A couple years ago, I'd have said this with great trepidation," says Wynn V. Bussman, economist for TRW Inc., "but everything seems to be going well. I don't see the seeds of a downturn."

A few months ago, Bussman said 1986 would be a year of modest growth with a downturn by year-end. But now he sees nothing that would spur a downturn.

Chrysler economist Donald P. Hilty notes his "previous thinking" was that the U.S. would have good growth for three to four years, followed by a severe recession. "But perhaps the minor adjustment of 1985 was the correction in the economy, and we may avoid a recession," he says.

William Prebe, economist for Dana Corp., steals a description from Richard Nixon's almanac to describe 1985-'86: "The economy is sideways waffling."

Explains Prebe: "That means there's no clear direction of where the economy is going. There's no real pizzazz. I'm more optimistic that we'll skip the next recession."

Likewise, automotive demand will "sideways waffle," Prebe says. He predicts no dramatic drops and no skyrocketing growth. Part of his reason is that none of the signs of the last 11 economic slowdowns since World War II exists.

"The economy will continue to drift for a quarter or two, then we'll have a period of new expansion," Prebe predicts. "A new cycle will commence in 1986, which will usher in a good start for 1987."

Adrian Dillon, economist for Eaton Corp., shares Prebe's optimism: "We may be only halfway through the recovery cycle. We have to be concerned about certain things, but look at what causes a recession. None of those factors exists."

Dillon notes that U.S. inflation currently is at its lowest level since the early 1960s, interest rates are the lowest since the 1970s, capacity utilization is running about 80 percent, capital spending is booming and unemployment is holding.

"Why would we have a recession?" he shrugs. "Our problems are domestic — the federal budget deficit, the farm problem. What is the worst that could happen to those?"

Chrysler's Hilty says 1985 showed some pleasant surprises: lower than expected oil prices and interest rates, and a weaker than anticipated U.S. dollar.

He figures 1986 could hold similar surprises, such as continued weakening of the dollar and declines in oil prices.

On the other hand, some happenings may be less pleasant, such as uncertainty over tax reform which may dampen consumer buying by fostering a wait-and-see attitude and postponed purchases. The dollar, Hilty notes, could strengthen just as easily as it could weaken.

Despite the optimistic forecasts, the economists are looking over their shoulders for the economic boogeyman. They are closely eying potential trouble spots: the federal deficit; trade deficit; value of the dollar; and consumer debt.

GM appears very cautious. David C. Munro, a corporation economist, says, "So far, so good." Nonetheless, early warning signals are up: "While everything looks good," he says, "we, for a long time, have been looking at where there might be some surprise, where we should keep an eye on our left flank.

"We don't see anything dramatic. We do see a couple of potential risks," Munro adds.

The federal deficit, he notes, has the potential risk to cause financial markets to retreat from their boom of recent months. A retreat could trigger higher interest rates, which in turn could cause consumer confidence to falter.

The economists unanimously mention consumer debt as a concern. Consumer installment debt is at an all-time high, thus personal savings are at an all-time low. Economists wonder how long the trend can continue.

Prebe notes that the recent surge in the stock market has made consumers "feel wealthier," and they may feel compelled to take on debt for financing durable goods.

Even trouble spots, however, show encouraging signs, the economists say.

John Deaver, economist for Ford, is encouraged by movement on the federal budget deficit. "The recognition to do something is greater this year than last year, though we are hearing few hysterics about it," he points out. "It's like the battleship of the budget has begun to move — without the shrieks and whistle blowing."

Dana's Prebe has a "worry list," but sees a brighter side to all the items on it.

To Prebe, it appears something will be done on the federal budget deficit, which will influence the economy positively. As he sees it, there will be little improvement in the trade deficit, but it won't worsen, while inventory levels are supportive of a strong economy.

U.S. vehicle market

As economists view the U.S. market, the consensus is motor vehicle sales will run about 14.8 million units in 1986. Their estimates range from 14.6 million to 15.0 million.

The consensus indicates newcar sales will be between 10.5 million and 10.6 million units; trucks about 4.3 million units.

Chrysler's Hilty is optimistic about vehicle sales for "the next couple years." A hefty pot of pent-up demand still exists, he says, although purchases could be postponed again should the economy turn downward.

Prebe expects a modest decline early in the year, but he believes December 1986 will be stronger than December 1985.

In Dillon's view, "The question becomes, 'How many vehicles will the traditional U.S. manufacturers sell? How much will be Big Three sales?' The good news is that in 1985 the Big Three hit their highest level of production since 1978 and 1979. The bad news is this will be the high point for the decade."

TRW's Bussman agrees. While auto demand will be fairly flat, he says, imports will surge to 3.2 to 3.3 million units a year, excluding U.S.-assembled Japanese cars.

Economic growth

The consensus also shows that economic growth, measured by the Gross National Product, will run about 3.0 percent during 1986.

Hilty predicts a softer first half than second half. Deaver doesn't see why one half should be better than the other. Bussman says the GNP could be above 3 percent if the trade deficit improves, but lower if the deficit doesn't level off as expected.

Inflation

The economists agree that inflation will stay in check, running at 3.5 to 4.0 percent as measured by the Consumer Price Index. Higher import prices, because of a weaker dollar, will be responsible for any increase, they say.

Prebe, however, disagrees. He doesn't expect higher prices on imports because companies want to maintain the market share they have gained. "If they do raise prices," he says, "they might offer incentives."

Interest rates

Interest rates, according to the economists' consensus, should remain relatively flat, though some expect a downturn early in 1986 and a possible upturn later if other factors come into play.

Bussman predicts interest rates will continue a downward trend for at least the next three months. Depending on inflationary pressures, it's a 50/50 bet what they will do, he says.

Unemployment rate

The economists agree that, because of only modest economic growth, little change in the unemployment rate will occur in 1986.

Only Bussman predicts any change in the unemployment rate, but "only minimal." He says it may drop to 6.7 percent by midyear.

U.S. dollar

The U.S. dollar, weakened by close to 20 percent in recent months, is an iffy area. The economists agree it will depreciate more, though the rapid drop is over.

The economists disagree on how much more the dollar will weaken. Their estimates range from 5 to 20 percent.

They agree that the strength of the dollar against the yen, or vice versa, will continue to be a problem. The U.S. trade deficit in 1986 isn't expected to grow, but still will be $150 billion, they believe.

Hilty says that, long term, something more fundamental has to change in the Japanese economy: "We believe they've hedged the yen until mid-1986 so that, in the short run, they will actually benefit from the stronger yen. By hedging the yen, they protect themselves from losing profits from the U.S., but at the same time they can buy raw materials in yen for less than before."

For the long term, Hilty says, the Japanese will have to swallow profits or increase prices. If they increase prices, their sales volume drops, thereby providing an opportunity for U.S. car makers, he reasons.

Munro thinks the pressure will stay on Japan to absorb its surplus savings into its economy rather than to rely on exports.

Consumer confidence

Consumer confidence has dropped from record peaks — but not far, according to the economists, who expect it to remain strong.

However, they are watching consumer confidence closely for signs of faltering.

Record consumer debt is a concern. At some point, it is felt, consumers may overload and call a halt to the spending spree. But for now, that appears not to be the case. ■

Suppliers speak out on competition

Your view of the U.S. economy — and how you voice that view publicly — depends on which side of the fence you sit.

At least, that's the case with auto manufacturers and their original equipment suppliers.

Economists at GM, Ford and Chrysler, and at three supplier firms, predict a fairly healthy U.S. economy for '86. However, suppliers seem more aware of the pressure of global competition.

And — unlike auto companies — suppliers don't hesitate to declare that the domestic manufacturers' portion of new-car sales will drop throughout the decade.

"The challenge to the Eatons of the world," says Adrian Dillon, economist for Eaton Corp., "will be to adjust capacity by 1990 to two-thirds of the present level or find ways to get business from the companies building in the U.S." Eaton manufactures advanced technology products serving the vehicle components, electronics and electrical markets.

TRW Inc. economist Wynn V. Bussman agrees. "In a sense, we have seen the last of the best years," he says, noting that his company's growth will come by sharpening competitiveness and developing new products.

According to Bussman, whose company supplies high-tech products for car, truck, electronics, space systems and energy markets, "The challenge will be for us and other auto suppliers to make sales to domestic companies regardless of who owns them."

That's no easy task, he acknowledges, since Japanese auto companies that assemble cars in the U.S. are encouraging Japanese suppliers to set up shop here.

At the same time, auto supplier companies are under the gun of auto makers to boost product quality and cut prices.

"It sounds like motherhood and apple pie," says Bussman, "but we have to provide the highest quality for a low, competitive price. Unless that's done, we face losing to competition domestically and to foreign suppliers, especially the Japanese. They have their eyes on supplying this market — not only domestically assembled Japanese vehicles, but also U.S. cars."

William Prebe, economist for Dana Corp., believes that while automotive supplier sales will be as strong in 1986 as they were in 1985, profits may be stagnant because of price pressures.

"You may be able to shave prices and steal business from competitors, but that will affect profits," says Prebe, whose company produces components for the motor vehicle and industrial markets. "Profits for 1986 will be only marginally better than 1985."

Dillon acknowledges the presence of ever-increasing price pressures. The beneficial result, however, is longer-term contracts for suppliers from their automotive customers. "We can build capacity accordingly," the Eaton economist says, "and eventually get a return on cost-cutting programs."

Bussman figures there is still room for profit improvement, however: "Companies have embarked on price-cutting and cost-cutting programs. Price cuts were made quickly, with the stroke of a pen, but were followed by cost cutting." Eventually, companies should enjoy some return on those cost-cutting programs, he adds.

Supplier company economists admit it will be difficult to compete for domestic auto business unless the supplier is multinational or has a unique product.

"Off-shore sourcing will be more and more the case for those who already have facilities overseas," says Bussman. "I've been seeing a growing number of product decisions being made on where to source — that is, what country. This move will not be stopped by dollar value."

— *M.K.*

1986 ECONOMIC PREDICTIONS

	Total Motor Vehicle Sales	Passenger Car Sales	Truck Sales	U.S. Economic Growth (measured by GNP adjusted for inflation)	Inflation (measured by Consumer Price Index)	Interest Rates	Unemployment Rate	U.S. Dollar	Consumer Attitudes
David C. Munro General Motors	15.0 million	10.5 million	4.5 million	3%	3.5 to 4.25%	May decline a bit more	Flat	Additional weakening	Remain strong, but could retreat
John V. Beaver Ford Motor Co.	14.8 million	10.4 million	4.4 million	3%	5%	Flat	Flat	Continue to weaken at slower rate	Strong, but not as strong as recent past
Donald P. Hilty Chrysler Corp.	14.9 million	10.5 million	4.4 million	3%	3.4%	Slightly down	Slightly lower	10% more depreciation	Strong, but down from peaks
William F. Priebe Dana Corp.	14.77 million	10.77 million	4.0 million	2.9%	3.3%	Flat	Flat	Decline another 20%	Remain strong
Adrian T. Dillon Eaton Corp.	14.6 million	10.5 million	4.1 million	3 to 3.5%	3.9%	Slightly lower	7.1% flat	Decline slightly, 5%	Strong; near present levels
Wynn V. Swanson TRW	14.9 million	10.6 million	4.3 million	3%	4.25%	Slight drop early in the year	Flat	Flat; possibility of a slight drop	Continue downward drift

The Doomsayers

ANWO paints a bleak portrait of the auto industry in the U.S. and Western Europe for 1986

By Michelle Krebs

The best of years are over for U.S. auto makers, supplier companies and UAW members, according to *Automotive News* World Outlook (ANWO).

This year will set the stage for the rest of the decade, according to the quarterly service of *Automotive News* and Data Resources Inc. (DRI).

In setting a somber scenario, ANWO predicts the fiber of domestic auto manufacturing and supplier companies will be transformed and jobs for U.S. workers will be reduced by the pressures of global competition and offshore sourcing of cars and components.

While 1986 will be a good year for the U.S. auto industry, it will not be a banner year. New-car sales in the U.S. will approximate 10.5 million units, according to ANWO.

Worldwide car sales will hit nearly 31.8 million units in 1986 — better than 1985's 31.3 million but still behind 1978's peak of 32.0 million.

The U.S. car market import share, mainly Japanese, will continue to rise, and import volume is likely to surpass 3.0 million units in 1986, according to ANWO.

North American car production in 1986 will drop by nearly 1.3 million units, from 9.2 million in 1985 to just short of 8.0 million.

Japanese auto makers will boost production in Japan by a half-million units this year, ANWO forecasts. Because new-car sales in Japan will be virtually flat this year, that nation's producers likely will look to North America for sales to absorb their increased plant capacity.

In auto company profitability, 1986 will be similar to 1983 — but without the tax credits enjoyed by U.S. makers, ANWO predicts. General Motors, Ford Motor Co., Chrysler Corp. and American Motors Corp. earned a combined $6.2 billion in 1983, but profits were helped by tax credits earned in previous years when the companies lost money.

"If you take out the tax breaks, you wouldn't have had a banner year (in 1983), but rather a year like 1986 will be," says John Hammond, DRI's U.S.-based economist.

Besides auguring sales and profit trends, 1986 will provide other glimpses into U.S. auto industry happenings during the rest of this decade. Hammond calls 1986 "a staging year for a dramatic trend that will be firmly entrenched by 1990."

Japanese companies have been gradually establishing manufacturing sites in the U.S. "Now they have broken into a sprint," says Hammond, who estimates Japanese auto production on U.S. soil will reach 1.4 million units of capacity by the 1990s.

In defense, U.S. manufacturers, while trying to hold their ground in the U.S., have rushed to Japan, Korea and Brazil, doubling their outsourcing efforts, Hammond notes.

That trend means fewer UAW jobs as the content of cars assembled in the U.S. becomes increasingly foreign sourced.

Japanese assembly plants in the U.S. are not apt to take up the job slack, according to ANWO. To keep their profits high, Japanese companies will continue to source as heavily as possible in Japan. At the same time, they have encouraged suppliers from Japan to locate in the U.S.

As domestic car manufacturers find they are at a competitive disadvantage in the U.S., they will cut operating capacity to as low as 65 percent. Says Hammond: "That means entire plants will be shut down."

These problems are compounded by strong inroads being made in the U.S. by European vehicle importers who continue to add to the range and number of their models, and by entry-level newcomers to the U.S., such as Hyundai (Korea) and Yugo (Yugoslavia).

DRI predicts "non-traditional supply sources" will provide up to 2 million more cars to U.S. customers, equal to 20 percent of the market, in years ahead.

A likely scenario for the 1990s depicts a U.S. market with overcapacity, collapsing prices and financial difficulties among U.S. manufacturers — a situation similar to Western Europe's in recent years.

This also is bad news for traditional domestic auto suppliers that are not multinational companies with sourcing in foreign countries.

"Overall, the business for traditional domestic auto suppliers will shrink dramatically. There will be a different complexion to the auto supplier," says Hammond.

Another trend that will be firmly in place by 1990 is increased diversification by GM, Ford and Chrysler. "The traditional domestic automobile manufacturers will devote a lower proportion of their business to auto production. They will continue to make acquisitions and increase the size of their non-automotive business," Hammond says.

In the past year, GM, Ford and Chrysler have made a number of acquisitions in financial services, computer services, defense and aerospace areas.

Domestic manufacturers, Hammond notes, may be able to maintain financial health because of this diversification.

By 1990 the three biggest U.S. auto makers will have virtually given up small-car production in the U.S., except for special projects such as GM's Saturn, Ford's Alpha and Chrysler's Liberty programs.

GM will increase small-car imports from Isuzu and Suzuki in Japan, and Daewoo in Korea, and will continue to take the bulk of car production from NUMMI, its U.S.-based joint venture with Toyota, according to ANWO.

Ford will give up its small-car production to Mazda, its Japanese partner, and Kia, its Korean partner. Chrysler appears to be considering turning over its small-car production to its Japanese ally, Mitsubishi.

The three major U.S. auto firms, instead, will concentrate on marketing and distribution. "The fiber of the companies will be quite different," says Hammond.

Trends into 1990 in Western Europe are less clear than in North America.

Western European auto makers have been in a deadlock for market share through the early 1980s. Collectively, they have lost money the past five years. Only the prestige, luxury-car makers that have done well in the U.S. have made money — record amounts of it.

The trend of the 1980s now appears to be taking a turn. John Lawson, DRI's London-based economist, expects Western European companies collectively will lose money again in 1986, mainly because of Renault's massive losses. But he sees collective losses being cut.

Europe's 1986 new-car market should be somewhat stronger than 1985's. Sales should increase to nearly 10.6 million units from 1985's 10.3 million. Companies also should be able to increase prices slightly.

However, overcapacity will remain a problem, Lawson notes, and job cuts will continue.

How the Japanese proceed in Western Europe, where protectionist laws run the gamut, remains to be seen. It is clear the Japanese want to move more deeply into the world's "other large car market," but how they plan to do so is not clear.

"The U.S. was the first stop for the Japanese on the train toward globalization," observes Lawson. "Western Europe is the next stop on the ride. There are only two places in the world where the industry sells 10 to 11 million units a year — the U.S. and Western Europe. If you want to grow globally, you have to look at those markets."

Among the Japanese, only Nissan, so far, has firm plans to build an independent plant in Europe — a car factory in the United Kingdom with annual capacity of 250,000 units.

Lawson speculates that the Japanese might invade Europe in a different way than they did the U.S. Instead of taking risks with 200,000 to 300,000 annual-capacity plants, he says, they may pursue cooperative or joint ventures with European manufacturers. ■

AUTOMOTIVE NEWS WORLD OUTLOOK

Generated by Data Resources Inc.

(In Millions)

	1983	1984	1985	1986	1987	1988	1989	1990
NEW CAR REGISTRATIONS								
Total Western Europe*	10,469	10,161	10,256	10,592	10,781	10,934	11,176	11,341
Germany	2,427	2,394	2,295	2,546	2,506	2,542	2,608	2,649
France	2,018	1,758	1,810	1,902	1,962	2,006	2,076	2,086
United Kingdom	1,792	1,750	1,770	1,732	1,742	1,787	1,795	1,767
Italy	1,561	1,636	1,672	1,658	1,711	1,770	1,785	1,825
Total U.S.	9,178	10,330	11,026	10,463	10,747	10,821	11,248	11,587
Asia-Pacific**	1,025	1,137	1,240	1,295	1,310	1,335	1,412	1,475
Japan	3,136	3,096	3,151	3,207	3,164	3,319	3,425	3,528
Total Africa-MidEast	1,271	1,242	1,268	1,336	1,484	1,584	1,635	1,706
Total Latin America	1,401	1,350	1,410	1,530	1,629	1,776	1,952	2,064
Total Eastern Bloc	2,085	2,124	2,162	2,238	2,323	2,385	2,424	2,475
CAR PRODUCTION								
Total Western Europe*	11,140	10,723	10,957	11,281	11,491	11,711	11,958	12,209
Germany	3,678	3,790	4,037	4,142	4,110	4,164	4,244	4,319
France	2,961	2,713	2,617	2,718	2,863	2,930	2,986	2,961
United Kingdom	1,045	909	975	988	1,005	1,028	1,052	1,107
Italy	1,396	1,439	1,378	1,384	1,426	1,480	1,523	1,572
Total North America	7,746	8,894	9,245	7,979	7,648	7,875	8,208	8,512
Asia-Pacific**	804	923	1,036	1,127	1,226	1,300	2,607	1,468
Japan	7,152	7,073	7,491	8,042	8,302	8,343	8,462	8,607
Mexico	207	245	305	344	411	479	517	539
NEW TRUCK REGISTRATIONS								
Western Europe***	1,130	1,119	1,183	1,204	1,182	1,206	1,263	N/A
U.S.	3,161	4,092	4,642	4,520	4,710	4,750	4,811	4,913
TRUCK PRODUCTION								
Western Europe***	1,306	1,224	1,357	1,393	1,384	1,416	1,476	N/A
North America	2,971	3,958	4,243	4,091	4,321	4,300	4,350	4,447

*Western Europe car production and registrations include Germany, France, United Kingdom, Italy, Netherlands, Belgium, Denmark, Ireland, Greece, Sweden, Norway, Finland, Switzerland, Austria, Spain and Portugal.
**Asia-Pacific includes Taiwan, South Korea Peninsular Malaysia, India, Australia and New Zealand but excludes Japan, which is listed separately.
***Western Europe truck production and registrations include Germany, France, United Kingdom, Italy, Spain, Sweden, Netherlands and Belgium.

Europe hangs on

But slow market growth, sales gains by the Japanese, overcapacity and low per-unit profit do not bode well for Europe's mass producers

By Richard Feast

A forecast by the Organization for Economic Cooperation and Development (OECD) indicates European economic growth will remain stable in 1986 at 2.25 percent. Unemployment will stay high at 11 percent (compared with 7.25 percent in the U.S. and 2.75 percent in Japan). But inflation will drop to 6.25 percent from 7.25 percent in 1985.

Against this background, a small rise in European new-car demand is anticipated in 1986. The main impetus will come from West Germany, following a period of market doldrums inspired by new auto-emission regulations, and from France, where consumer confidence is returning.

Market forecaster DRI Europe believes 1986 new-car sales in Europe will improve by 3.3 percent to 10.59 million units. DRI says the market will continue to grow, but only by an average of 1.8 percent a year, until European car buying reaches an annual volume of 11.3 million by the turn of the decade.

Relative stability in Europe's auto industry will last for at least the next year, but fundamental flaws in its structure will lead to substantial changes beyond then, according to John Wormald, principal at Booz-Allen & Hamilton's London bureau. He sees stratification into a two-level European industry comprised of successful specialists with a strong hold on the world's prestige-car markets, and volume producers that will be forced into greater flexibility and collaboration, including ventures with Japanese suppliers.

A combination of slow market growth, continued sales gains by Japanese importers, overcapacity and low profit per-unit depict an unattractive prospect for Europe's mass producers.

Pressure for greater profits will be a higher priority than snatching a small increase in market share. General Motors, for instance, spent $3 billion to increase production capacity in Europe, but the investment is now being questioned at the highest level of the corporation because all it bought was an extra 3 percent market share and lower profits.

According to OECD, a Paris-based organization representing a group of industrially developed countries, West German growth will be 3.25 percent this year compared with 2.25 percent in 1985. Consumer prices will fall one point to 1.25 percent, lowest in Western Europe. West Germany's trade balance is forecast to leap by one-third to $40 billion this year.

Consumer prices are expected to continue to fall in France, from 5.75 percent last year to 3.75 percent in 1986. The trend will continue into 1987, taking the country's inflation to its lowest level in many years. Economic growth will double to 2 percent and unemployment will go up fractionally to 10.75 percent.

By contrast, unemployment in the United Kingdom may ease to 11.5 percent. U.K. prices in 1986 will be down to 4 from 5 percent, but growth will be cut from 3.25 to 2.25 percent. In Italy, growth (2.5 percent) and unemployment (10.5 percent) will be up, but consumer prices are expected to fall from 9.25 percent last year to 6.75 percent in 1986.

Between them, those four economies are responsible for three-quarters of all new-car sales in Europe.

This year's overall auto-market improvement in Europe will stem from West Germany's sales increase of nearly 11 percent to more than 2.54 million units, and an upswing in France's car buying — slated to go up more than 5 percent to 1.9 million units. Italy and the U.K. will sustain some contraction from their high levels of recent years.

Overall, DRI expects the Volkswagen group to maintain sales leadership on the continent, mainly because of the West German recovery. But competition is becoming more intense with recent launches of GM's Opel Kadett sedan and Peugeot's 309 aimed at VW's core business, the Golf and Jetta.

Volkswagen's ascendancy has been accompanied by a solid return to profitability, much of it stemming from vehicle exports to the U.S. That is something few of Europe's high-volume producers are taking full advantage of, despite examples set by lesser-volume, upper-scale manufacturers Daimler-Benz, Volvo and Saab.

Fiat Auto professes no interest in the U.S. market. Peugeot and Ford Europe ship only handfuls of cars to the U.S.; GM's Adam Opel subsidiary may follow suit before long. On the other hand, Renault plans to become a substantial mid-line exporter to the U.S. with a European-made R21 sold through American Motors dealers.

Of all these companies, only VW and Fiat are firmly in the black. Fiat's health stems mainly from selling small cars, which supposedly are unprofitable; this is a tribute to Fiat's reorganization in the late 1970s and early '80s. (Help also came from an understanding Italian government that paid most of the wages of those laid off in Fiat's efficiency drive.)

Peugeot group in 1985 may break even after long periods of losses, but Ford and GM operations are not providing the required return on investment. Renault's 1985 loss will equal its 1984 record deficit.

The key to company viability in Europe seems to be shipping lucrative vehicles to the U.S., given the limitations of European domestic market development and the fact that Japanese rivals have cleaned up in all other parts of the world.

Smaller companies in the volume business — Austin Rover in the U.K., Alfa Romeo in Italy and Seat in Spain — can find security only through alliances with other companies. If that collaboration is with a Japanese company, as it is with Austin Rover, then existing problems of European auto makers and component suppliers will be heightened.

As Japan's auto makers become established in the U.S., protectionist sentiment in the U.S. could transfer to successful European exporters and less-developed nations such as South Korea and Yugoslavia. Any company that sells 100,000 units annually in the U.S. will have to be careful to avoid protectionist measures.

No matter how solid a company is in Europe, by and large it is the U.S. economy that is providing its wealth and health. U.S. import-car demand plays a vital role in sheet-steel production in Sweden, tire output in West Germany and glass manufacturing in France. There is no mistake that the economies of those countries are pulled along by the American express. ■

NEW-CAR SALES IN EUROPE

	1986	1985
Austria	250	227
Belgium	360	350
Denmark	131	139
Finland	133	132
France	1,902	1,810
Greece	74	71
Ireland	66	58
Italy	1,658	1,672
Netherlands	461	476
Norway	126	128
Portugal	91	96
Spain	570	528
Sweden	225	249
Switzerland	266	253
United Kingdom	1,732	1,770
West Germany	2,546	2,295
Total	10,592	10,256

Source: DRI Europe

EUROPEAN ECONOMY: 1985-'86

Country		GDP	Consumer prices	Trade balance	Unemployment (%)	Private consumption
Austria	'85	2.75	3.50	– 2.75	4.25	2.25
	'86	2.25	2.75	– 3.25	4.50	2.25
Belgium	'85	1.50	4.50	1.25	13.25	0
	'86	1.50	3.75	2.00	13.50	0.25
Denmark	'85	2.50	4.75	– 0.50	9.00	2.50
	'86	3.50	2.75	– 0.25	8.75	2.25
Finland	'85	3.75	6.00	1.00	6.00	3.00
	'86	2.25	5.00	1.75	6.25	2.75
France	'85	1.00	5.75	– 4.50	10.50	2.00
	'86	2.00	3.75	– 2.75	10.75	1.75
Greece	'85	1.50	18.50	– 4.75	8.25	1.00
	'86	–1.00	21.25	– 4.25	9.00	–2.00
Ireland	'85	0.25(a)	5.50	0.75	16.50	1.50
	'86	2.25	5.00	1.25	16.75	1.25
Italy	'85	2.25	9.25	–10.25	10.25	2.25
	'86	2.50	6.75	– 9.75	10.50	1.75
Netherlands	'85	2.00	2.25	5.50	14.50	1.75
	'86	2.00	1.75	6.25	14.00	2.75
Norway	'85	3.00	5.75	4.00	2.50	6.00
	'86	2.25	6.00	2.75	2.25	3.25
Portugal	'85	2.25	19.50	– 1.50	11.00	0.50
	'86	2.75	15.50	1.75	11.50	2.00
Spain	'85	1.75	8.50	– 4.50	22.25	1.00
	'86	2.00	9.00	– 4.50	22.50	1.25
Sweden	'85	2.75	7.25	3.25	2.75	2.25
	'86	0.50	5.50	5.75	3.00	0.75
Switzerland	'85	3.75	3.25	– 2.25	0.75	1.50
	'86	2.25	1.50	– 2.00	0.50	2.00
U.K.	'85	3.25	5.00	– 2.75	11.75	2.25
	'86	2.25	4.00	– 4.00	11.50	3.75
W. Germany	'85	2.25(a)	2.25	29.25	8.25	1.25
	'86	0.25	1.25	40.00	8.00	3.00

Except where indicated, figures are percentage changes over previous period. (a) GNP rather than GDP figures. *Trade balance expressed in $ billion. Source: OECD, Paris.

Protectionist sentiment in the U.S. toward Japan could transfer to less-developed nations (such as Yugoslavia, above) if auto companies there become too bold with their exports.

Could a tax cut reduce Europe's overcapacity?

Demand for an additional 1.0 to 1.6 million cars by 1990 could be created in Europe if governments make even modest tax cuts, contends auto industry analyst Prof. Krish Bhaskar.

This would help lead Europe's industry out of its present overcapacity crisis, he maintains in a report compiled by the Motor Industry Research Unit (MIRU) at the University of East Anglia in England.

The thrust of the report is that the problems of slack markets, poor profits and plant closures could be turned around by stimulating demand to support existing jobs and capacity.

"Extensive research into the relationship between car demand and factors such as GNP, income, purchase costs and running costs suggests that governments can act to stimulate demand by reducing car taxes on purchase and usage, and by macroeconomic measures to encourage national growth," Bhaskar says.

Auto production overcapacity in Europe is generally estimated at 2.5 million units, though some companies — Volkswagen among them — believe spare capacity has to be maintained in order to be flexible enough to meet future growth. The VW view is that current retail prices are not high enough to finance spare capacity.

Bhaskar's report, entitled *Demand Growth: A Boost for Employment?*, concludes that tax actions are not only feasible, but will actually cover their financial costs, in many cases, through reduced unemployment costs, higher unit sales and increased consumer spending power.

MIRU estimates that, allowing for improved productivity and fuller use of the current labor force, between 409,000 and 897,000 European jobs could be created by 1990.

"This is a realistic picture — not an exaggeration — of the potential growth available to the industry if governments make a commitment to enhance the viability of the automotive sector," says Bhaskar.

The study, which makes extensive use of MIRU's computer modeling to track automobile demand and ownership, traces the factors that led to the present condition. It examines reasons for the slowdown in all but the specialized segments of the market, and suggests moves governments could undertake.

— *R.F.*

High Attitude

Consumer sentiment soars to its highest high since the '60s

As the 1986 model year got under way, thoughts of shiny new cars danced in the heads of many Americans. The University of Michigan's latest Survey of Consumer Sentiment shows favorable attitudes toward car buying persisted during the third quarter of 1985.

The pro-buying public, according to the survey, was stimulated by increased availability of reduced interest rates on vehicle loans, mentioned by 38 percent of those interviewed.

Auto makers offered 7.7- and 7.5-percent financing during the third quarter, following a strike by car haulers. After the strike was settled, car dealers were left with hefty inventories of 1985 models as the arrival of 1986 models accelerated.

The survey points out that the record-setting response to incentive financing underscores the importance consumers now place on interest rates in purchase-timing decisions.

Overall, consumer sentiment, though still high, exhibited a declining trend. While the level was down from a year earlier, however, it was the 10th consecutive quarter in which the survey's index figure was in the 90s — the longest and highest sustained period of consumer optimism recorded since the 1960s.

The small overall decline recorded during the past year was not shared equally by the several measures of attitudes and expectations. Consumers' views of their current financial situations and buying conditions remained at very favorable levels. However, prospects for the domestic economy during the year ahead declined significantly.

During the past two years, there has been a sharp decline in the proportion of consumers expecting continued improvement in the economy. However, a corresponding rise in unfavorable expectation did not occur.

Most of the shift in opinion during the past two years has been toward the expectation that performance of the national economy would remain unchanged during the year ahead.

Because slower growth — but no recession — is expected, consumers view the economic outlook in somewhat dulled but, nonetheless, favorable terms, according to the survey. Consumers' views suggest economic conditions will be somewhat worse this year, but will still be good, on balance.

The major factor underlying the maintenance of favorable assessments of the economy has been sustained declines in inflation. Inflation expectations are about one-third of their 1980 peak.

The primary concern expressed by consumers about the outlook for continued slow economic growth involves limited job prospects. The proportion of families expecting the national unemployment rate to decline during the year fell. Half said they expected increases. The majority expected only small changes in the unemployment rate or no change at all in the year ahead.

Confidence in government economic policies to control inflation and unemployment remained near high levels. Apparently, sustained declines in inflation have offset the rising concern with unemployment. Nonetheless, consumers continue to view unemployment, rather than inflation, as the more serious problem facing the nation.

Interest rate expectations have remained unchanged, since the start of 1985, at improved levels compared with mid-'84. The majority of those surveyed said they expect interest rates to remain at their current level or to decline during 1986.

The financial situation of the American family remains favorable, although the pace of financial improvement has slowed since the start of 1985. Even after the small decline, however, evaluations of personal financial progress remained more favorable the past two years than at any other time during the past decade.

The major reason for the improvement has been sustained declines in inflation. Rising prices eroding the living standard were mentioned by less than one-third of the peak level recorded five years earlier.

Income increases have been reported more frequently and reported income declines have fallen since the start of 1983. Twice as many families reported income increases as reported declines.

Asked about financial prospects in 1986, most continued to have a positive outlook.

The continuation of favorable personal financial prospects, coupled with declines in interest rates, has maintained consumer willingness to use accumulated savings and to incur new debt in order to make major purchases. Willingness to incur new debt was reported by the highest level of respondents during the past five years.

Favorable attitudes toward buying conditions reached record levels during 1985 for each major type of discretionary purchase — homes, vehicles and large household durables.

It was in spring 1983 that buying attitudes first reached record favorable levels. Following small declines during 1983, attitudes toward buying conditions rebounded to peak levels by spring 1984. Small declines were again recorded in the second half of 1984, only to rebound once more to peak levels in 1985.

The major reason for this pattern of surges, followed by declines, has been changes in availability of discounted prices and reduced interest rates.

In the 1970s, buying decisions were based on inflation — purchases were made in advance of escalating inflation rates.

Today, few consumers cite the advantage of buying in advance of rising prices. Instead they cite the appeal of price discounts.

Rather than inflation, higher and more variable interest rates now represent the primary source of uncertainty about future buying conditions. Consumers have come to view the interest rate trend as the most important factor in timing their purchases.

As a result, price availability and interest rate discounts have become the expected norm.

In addition to positive car-buying attitudes, consumers showed record favorable attitudes toward buying homes — because they perceive good prices.

During the past two years, favorable references to current home prices outnumbered unfavorable references, a trend not seen since the 1960s. In addition, consumers believe mortgage rates are favorable now.

Likewise, consumers indicated favorable attitudes toward buying large household durables because they perceive good prices. ■

Inflation, unemployment will remain steady, says U of M

The U.S. auto market will show solid but not record strength over the next two years with sales of 10.0 million cars in the 1986 model year and almost 10.2 million in the 1987 model year, according to University of Michigan economists.

Saul H. Hymans and Joan P. Crary say their forecast shows the U.S. economy will "emerge from the doldrums on a mildly accelerating track" over the next year or so with unemployment and inflation remaining relatively steady.

They predict 1985's 2.4-percent rise in Gross National Product will be followed by a 2.9-percent increase in 1986. Growth will peak at about 3.8 percent in early 1987, they say, then back off the rest of the year.

The forecast assumes there will be no change in the federal budget deficit situation.

Under the status quo scenario, the nation's unemployment rate will remain in the 7- to 7.3-percent range the next two years with the lower figure achieved in the second year of the forecast.

The average unemployment rate in 1986 will be 7.3 percent, virtually the same as 1985. It will edge downward to just under 7.2 percent in 1987.

Inflation over the next two years will remain moderate although trending upward, they say, because import prices will increase because of the declining value of the dollar.

As measured by the Consumer Price Index, inflation will be 3.9 percent higher in 1986 than in 1985, and another 4.6 percent higher in 1987.

Industrial price pressures emanating from unit labor cost and crude material prices will be moderate in 1986 and 1987. Import price inflation appears to constitute the major anticipated inflationary factor of the next two years.

The economists predict real net exports will rise by this spring. Exports will post an average real increase in excess of $2 billion per quarter over the following year and a half.

"In current dollar terms," says Hymans, "the trade balance is expected to continue to deteriorate until the spring of 1987 when the trade deficit peaks at an annual rate of nearly $150 billion."

The University of Michigan economists see an active housing market because of fairly stable employment, output growth in the 3.0- to 3.5-percent range and favorable credit conditions.

Private housing starts, basically flat at 1.74 million units in 1985, will increase to 1.84 million units in 1986 and 1.95 million in 1987.

Sales of existing single-family homes will increase from an estimated 3.2 million units in 1985 to 3.4 million in 1986 and just over 3.5 million in 1987.

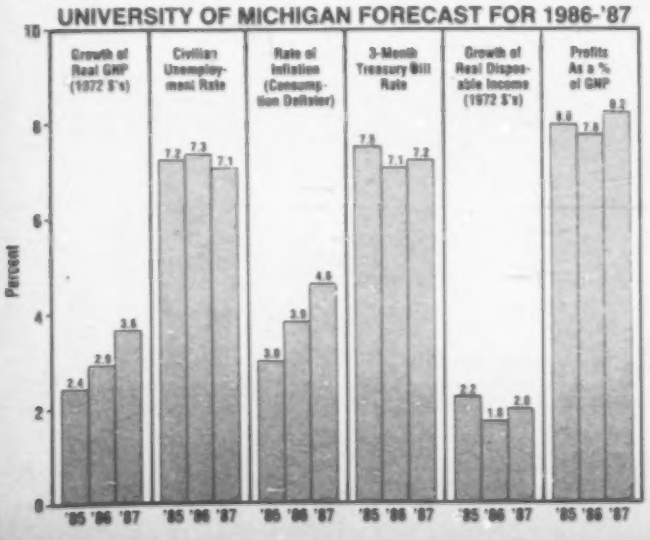
Capital expenditures slowed during 1985 and dipped in the third quarter of 1985, the economists note. However, they say strengthening domestic product in 1986 and 1987, along with favorable interest rates and growing profits, should result in 4.3 percent and 6.3 percent increases in real business fixed-investment for 1986 and 1987, respectively.

The federal budget deficit in dollars, annual rate and as percent of GNP will drop, but not enough. "Between the closing quarters of fiscal 1985 and fiscal 1987," Hymans says, "we show the federal deficit declining from nearly $200 billion annually to just over $150 billion, and from 5.0 to 3.4 percent of GNP."

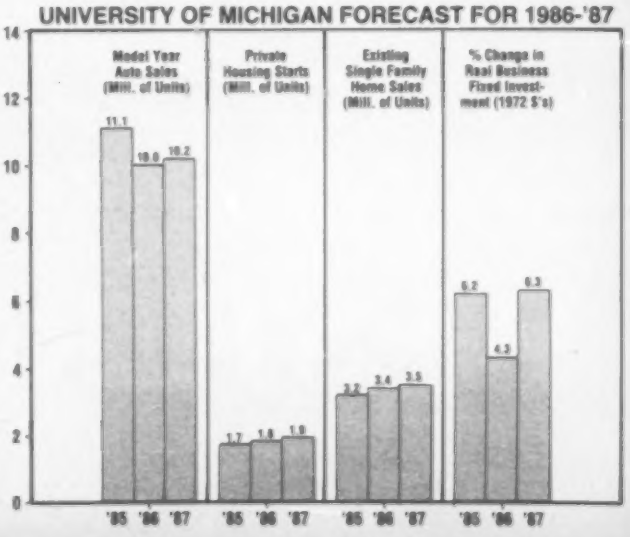
The Reagan administration, the economists contend, "remains the core of an ever-more exclusive club which refuses to recognize the long-term danger of a federal budget sufficiently unbalanced that the growth of interest payments makes it increasingly more difficult to get control of the budget deficit."

The forecast is based on the Michigan Quarterly Econometric Model of the U.S. Economy from U of M's Research Seminar in Quantitative Economics. ■

UNIVERSITY OF MICHIGAN FORECAST FOR 1986-'87



UNIVERSITY OF MICHIGAN FORECAST FOR 1986-'87


Model Year Auto Sales (Mill. of Units)
11.1 10.0 10.2
Private Housing Starts (Mill. of Units)
1.7 1.8 1.9
Existing Single Family Home Sales (Mill. of Units)
3.2 3.4 3.5
% Change in Real Business Fixed Investment (1972 $'s)
6.2 4.3 6.3
'85 '86 '87

But spending will slow in '86, survey indicates

Consumer attitudes seen favorable

By Louise Kertesz
Detroit Reporter

Consumers' outlook for slow but sustained growth, given the economic turbulence of past years, has supported the view that good times financially will continue in the country as a whole, according to a third-quarter 1985 survey by the University of Michigan's Institute for Social Research (ISR).

Although consumers expect slow economic growth during the year ahead, they expect it to be accompanied by low rates of inflation and to lead to only small increases in the unemployment rate, the report said.

ISR found that respondents considered the third quarter of this year a favorable time to buy new cars. The buying attitudes remained at the alltime record level of the second quarter.

Lower interest rates and favorable perceptions of market prices during the third quarter kept buying attitudes at record favorable levels, ISR said.

Sixty-seven percent of the families surveyed felt that it was a good time to buy cars, the report said. Their attitude was borne out by the new-car sales records set in the August-September period.

But, according to ISR, recent trends in consumer attitudes and expectations have exhibited many of the characteristics of the later stages of expansion.

Since the upward momentum in consumer sentiment has now been exhausted, ISR said, prospects for consumer demand in 1986 are diminished though still favorable.

Increases in consumer spending are not likely to outpace growth in incomes, indicating that the rate of saving will rise. But the decline in new-car sales rates, while small on an annual basis, is not likely to follow an even pace, ISR said.

The response of consumers to the recent interest rate reductions has demonstrated not only their willingness to spend, but also their resolve to wait for discounts on prices and interest rates. Gone are the days when consumers felt pressured to act by ever-escalating prices, the report said.

Today, consumers are more willing to engage in comparative price shopping and expect to be enticed by discounts on prices as well as interest rates. Rather than the consumer scrambling to keep up with price increases, sellers now must scramble to keep up with the more demanding consumer, according to ISR.

The pace of real income growth during the year ahead will play a pivotal role in buying attitudes, the report said.

Of course, declines in spending would be greater if there were a substantial resurgence in inflation, interest rates or unemployment, ISR said.

But given the outlook for those variables, such a sharp retrenchment in spending is unlikely, according to the ISR report.

Ford Parts and Service approves ADP system

PORTLAND, Ore.—Ford Parts and Service Division has approved ADP Dealer Services' Ford Parts Mangement System, which is designed to reduce idle capital.

The software application prepares a series of special reports to supply raw dealership data to an independent consulting firm, which analyzes the data and returns the results to the dealership.

Washington show to put emphasis on young drivers

WASHINGTON.—The Washington International Auto Show will put added emphasis this year on cars that appeal to the young motorist.

The show will be held Jan. 15-20 at the Convention Center.

Show producers said the exhibit will make its best pitch to such young people as the student who soon will be driving his or her first car and the young professional who soon will be buying a model that exemplifies success. They noted that 32 million of the 154 million licensed drivers in this country are under 25 years of age, representing more than 21 percent of all motorists.

The Automotive Trade Assn. National Capital Area, the show sponsor, said that show participants from manufacturers to dealers are making an effort to promote safety among young drivers.

Boyle & Lane Cadillac wins service award

PITTSBURGH.—Boyle & Lane Cadillac has received Cadillac's National Service Excellence Award for 1985, one of only two dealerships in its zone to earn the honor.

Cadillac cited the dealership's "high level of technical training and participation in Cadillac's Craftsman League" in presenting the award.

DOMESTIC SALES

	Dec. 11-20, 1985	Dec. 11-20, 1984
Renault Alliance-Encore	1,500†	2,800†
AMC	250†	400†
AMERICAN MOTORS	1,750†	3,200†
Chrysler	7,275	9,004
Plymouth	6,966	7,963
Dodge	8,975	9,549
CHRYSLER CORP.	23,216	26,516
Ford	24,996	30,536
Mercury	8,836	11,830
Lincoln	3,935	4,669
FORD MOTOR CO.	37,767	47,035
Buick	15,738	28,486
Cadillac	6,426	7,022
Chevrolet	35,486	38,104
Oldsmobile	21,325	22,590
Pontiac	16,074	18,893
GENERAL MOTORS	95,049	115,095
VOLKSWAGEN	2,015	1,424
HONDA	3,520	2,939
NISSAN	1,815	0
U.S. INDUSTRY TOTAL	165,132	196,209

†—Estimate

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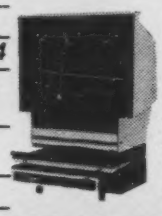

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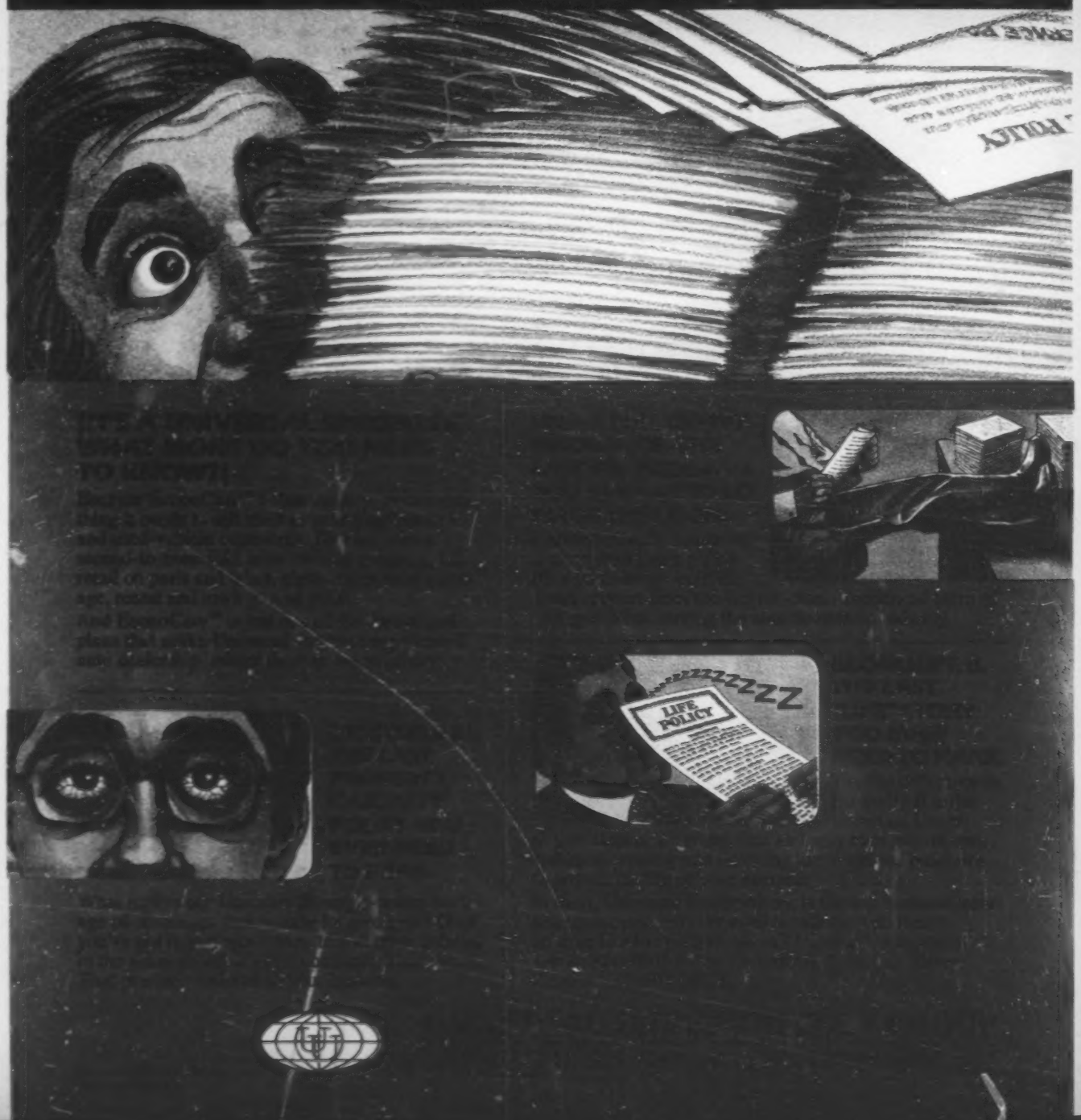

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American Motors

Jan. 14—D-A Auto Auction, New Stanton, Pa.; American Auto Auction, Walpole, Mass., and Arena Auto Auction, Chicago.

Jan. 15—Columbus Fair Auto Auction, Obetz, O., and Kansas City Auto Auction, Kansas City.

Jan. 16—Fredricksburg Auto Auction, Fredricksburg, Va.; Bel Air Auto Auction, Bel Air, Md.; Evansville Auto Auction, Evansville, Ind., and Northway Exchange, Inc., Clifton Park, N.Y.

Jan. 21—Aptco Auto Auction, Taylor, Mich., and High Point Auto Auction, High Point, N.C.

Jan. 22—Metro Milwaukee Auto Auction, Caledonia, Wis., and Mid States Auto Auction, South Bend.

Jan. 23—Todd Auto Auction, Telford, Pa.; Evansville Auto Auction, Evansville, Ind.; Corry Auto Auction, Corry, Pa., and Minneapolis Northstar Auto Auction, Shakopee, Minn.

Jan. 24—St. Louis Auto Auction, Bridgeton, Mo.

Jan. 28—D-A Auto Auction, New Stanton, Pa.; American Auto Auction, Walpole, Mass., and Arena Auto Auction, Chicago.

Jan. 29—Columbus Fair Auto Auction, Obetz, O., and Kansas City Auto Auction, Kansas City.

Jan. 30—Fredricksburg Auto Auction, Fredricksburg, Va.; Bel Air Auto Auction, Bel Air, Md.; Evansville Auto Auction, Evansville, Ind., and Northway Exchange, Inc., Clifton Park, N.Y.

Used Car Sales
Auction Averages

Jan. 1986 to date	$4,559
Month ago	$4,589
Year ago	$4,852

Model Breakdown
Auction Averages

	JAN. 1986	DEC. 1985	NOV. 1985
1986	$5,298		
1985	$7,750	$9,839	$9,989
1984	$5,253	$6,514	$6,690
1983	$5,225	$5,594	$5,829
1982	$4,887	$4,587	$4,752
1981	$3,168	$3,474	$3,543
1980	$1,934	$2,694	$2,738
1979	$1,781	$2,207	$2,254
Overall Average	$4,559	$4,559	$4,714

Chrysler Corp.

Jan. 14—Hatfield Auto Auction, Hatfield, Pa.; NuCarPrep System, Santa Fe Springs, Calif., and Florida Auto Auction of Orlando, Ocoee, Fla.

Jan. 15—Southern Auto Auction, Warehouse Point, Conn.; Columbus Fair Auto Auction, Obetz, O.; Dallas Auto Auction, Grand Prairie, Tex., and South Seattle Auto Auction, Kent, Wash.

Jan. 16—Fredricksburg Auto Auction, Fredricksburg, Va.

Jan. 21—Hatfield Auto Auction, Hatfield, Pa.; Aptco Auto Auction, Taylor, Mich.; Arena Auto Auction, Chicago; Metro Auto Auction of Kansas City, Lee's Summit, Mo., and Golden Gate Auto Auction, Fremont, Calif.

Jan. 22—Butler Auto Auction, Gibsonia, Pa.; Sand Mountain Auto Auction, Boaz, Ala., and Minneapolis Northstar Auto Auction, Shakopee, Minn.

Jan. 23—Albany Auto Auction, Albany, N.Y.; Clanton's Auto Auction, Darlington, S.C., and Indianapolis Auto Auction, Indianapolis.

Jan. 24—Concord Auto Auction, Acton, Mass.

Jan. 28—Hatfield Auto Auction, Hatfield, Pa., and NuCarPrep System, Santa Fe Springs, Calif.

Jan. 29—Southern Auto Auction, Warehouse Point, Conn.; Columbus Auto Auction, Obetz, O.; Dallas Auto Auction, Grand Prairie, Tex., and South Seattle Auto Auction, Kent, Wash.

Jan. 30—Fredricksburg Auto Auction, Fredricksburg, Va.

Ford Motor Co.

Jan. 15—Concord Auto Auction, Acton, Mass.

Jan. 16—Arena Auto Auction, Chicago; Dallas Auto Auction, Grand Prairie, Tex., and Southwest Auto Auction, Phoenix.

Jan. 22—Lakeland Auto Auction, Lakeland, Fla., and Brasher's Southern California Auto Auction, Fontana, Calif.

Jan. 23—Skyline Auto Exchange, Fairfield, N.J.

Jan. 28—South Seattle Auto Auction, Kent, Wash.

Jan. 29—Columbus Fair Auto Auction, Obetz, O., and Clanton's Auto Auction, Darlington, S.C.

General Motors

Jan. 14—Florida Auto Auction of Orlando, Ocoee, Fla.

Jan. 15—Brasher's Southern California Auto Auction, Fontana, Calif., and Minneapolis North Star Auto Auction, Shakopee, Minn.

Jan. 16—Nashville Auto Auction, Nashville.

Jan. 21—Southern Auto Auction, Warehouse Point, Conn., and South Seattle Auto Auction, Kent, Wash.

Jan. 22—Clanton's Auto Auction, Darlington, S.C., and Indianapolis Auto Auction, Indianapolis.

Jan. 23—Butler Auto Auction, Gibsonia, Pa., and Big H Auto Auction, Houston.

Jan. 29—Golden Gate Auto Auction, Fremont, Calif.; Metro Auto Auction of Kansas City, Lee's Summit, Mo.

Fanuc, General Electric may enter joint venture

TOKYO.—Fanuc, Ltd., builder of computer numerically controlled equipment, and General Electric Co. reportedly have reached an agreement on joint development and exchange of technologies in the area of factory automation.

According to Nihon Keizai, a local business journal, details of the pact, which will cover laser processing systems and other advanced technologies, will be worked out by the end of March and will likely develop into a joint venture by the two firms.

GMAC issues $524 million in loan-backed bonds

NEW YORK.—General Motors Acceptance Corp. has issued $524 million worth of bonds backed by automobile loan receivables.

First Boston Corp. handled the offering, which exceeds the amount of all previous bonds backed by automobile and lease receivables. It marks the first such financing by a U.S. automobile finance company.

The bonds have a final maturity of five years and an estimated average life of slightly less than two years. Interest and principal from the pool of automobile loan receivables will be passed through monthly to investors.

GMAC guarantees up to 5 percent of the loan pool against loss, a proportion far in excess of the one-half of one percent loan default rate in recent years.

The move had been expected for some time. GMAC officials said they were issuing the bonds to tap a new source for automobile financing and to attract investors.

Scott, ex-Ford official, named to BCAG post

BLOOMFIELD HILLS, Mich.—Robert W. Scott has been appointed vice president, general counsel and secretary of British Car Auction Group, Inc.

Scott retired from Ford Motor Co. Nov. 1 after 39 years with the company. He had served as assistant general counsel and had been chairman of the Ford Dealer Policy Board since 1979.

1985 Vehicle Sales Summary

DOMESTIC CAR SALES

	Dec. 21 to Dec. 31 1985	Same Period, 1984	December 1985	Same Month, 1984	Jan. 1 to Dec. 31 1985	Same Period, 1984
Alliance	0	0	4,563	4,920	71,494	100,366
Encore	0	0	1,949	3,689	39,179	69,235
Total Renault	0	0	6,512	8,609	110,673	169,601
Eagle	0	0	1,075	1,660	12,776	20,654
Total AMC	0	0	1,075	1,660	12,776	20,654
AMERICAN MOTORS	4,137	3,869	7,587	10,269	123,449	190,255
Horizon	2,158	1,749	4,891	5,755	84,500	78,298
Turismo	1,200	894	2,970	2,841	52,817	47,109
Reliant	3,913	2,676	10,954	8,872	138,833	138,154
Caravelle	1,127	820	2,438	2,697	35,954	9,074
Plymouth	335	333	640	1,006	17,627	16,609
Total Plymouth	8,733	6,472	21,893	21,171	329,731	289,244
Laser	1,054	1,093	2,539	3,267	50,957	53,131
LeBaron K	2,407	2,148	5,601	6,452	87,482	96,830
LeBaron GTS	2,043	888	5,373	1,788	71,018	2,494
Cordoba	0	0	0	0	0	136
Fifth Avenue	3,405	2,668	5,844	8,153	109,010	94,340
E-Class	0	0	0	0	20,923	40,265
New Yorker	1,811	1,623	4,520	4,737	36,490	39,303
Total Chrysler	10,720	8,420	23,877	24,397	375,880	328,499
Omni	1,928	1,665	4,686	4,795	71,473	67,933
Charger	1,244	1,068	3,264	3,072	57,171	51,940
Daytona	1,352	894	3,197	2,830	49,533	44,717
Aries	3,836	3,053	8,799	7,928	116,284	111,984
Lancer	1,306	518	3,217	1,423	49,615	1,980
Dodge 400-600	0	0	0	0	3,012	18,953
Diplomat	605	948	1,465	3,164	34,919	28,623
Mirada	0	0	0	0	0	282
Dodge 600	1,424	1,492	3,622	4,453	52,318	42,843
Total Dodge	11,695	9,638	28,250	27,665	434,325	369,255
CHRYSLER CORP.	31,148	24,530	74,020	73,233	1,139,936	986,998
EXP	156	978	336	2,718	17,927	31,213
Escort	16,672	9,434	37,652	26,924	420,690	353,578
Mustang	4,613	4,736	10,602	12,236	157,821	138,296
Tempo	8,001	8,041	17,810	21,360	281,144	256,532
Taurus	3,305	0	4,056	0	4,056	0
Thunderbird	5,550	4,848	10,396	13,430	157,209	154,865
LTD	3,844	4,495	7,525	12,619	180,514	196,907
Crown Victoria	3,821	4,023	8,936	11,388	162,334	169,253
Total Ford Division	45,962	36,555	97,373	100,675	1,386,195	1,300,644
Lynx	3,187	1,721	7,068	4,839	85,871	67,725
Topaz	1,713	1,668	4,128	4,753	73,098	73,454
Sable	1,858	0	2,430	0	2,430	0
Cougar XR-7	3,954	3,070	8,156	8,839	113,405	120,964
Capri	349	470	896	1,408	15,389	17,739
Marquis	1,551	2,247	3,063	6,543	87,844	103,722
Grand Marquis	3,524	3,355	8,209	9,720	135,202	143,594
Total Mercury	16,136	12,531	33,950	36,102	519,059	527,198
Continental	846	1,168	2,007	2,472	27,679	31,110
Lincoln	3,950	3,106	10,465	9,188	117,606	90,869
Mark VII	642	814	1,554	1,673	19,853	29,496
Total Lincoln	5,438	5,088	14,026	13,333	165,138	151,475
Total L-M Division	21,574	17,619	47,976	49,435	684,197	678,673
FORD MOTOR COMPANY	67,536	54,174	145,349	150,110	2,070,392	1,979,317
Skyhawk	2,301	1,687	6,644	6,106	85,639	121,858
Skylark	0	2,086	151	7,566	54,513	104,589
Somerset Regal	2,876	1,311	6,823	4,779	95,098	13,811
Century	6,671	4,064	16,690	16,292	234,508	217,042
Regal	1,666	2,410	5,614	8,865	112,590	182,185
LeSabre	1,403	3,388	4,232	12,047	115,212	164,314
Electra	2,729	1,202	9,397	5,811	99,185	84,414
Riviera	623	891	1,787	4,102	48,834	53,398
Total Buick	18,269	17,039	51,338	65,568	845,579	941,611
Cimarron	1,059	421	2,356	989	23,754	18,014
Seville	635	1,016	1,612	2,929	29,034	36,249
Cadillac	8,270	5,018	18,139	14,380	187,664	195,177
Eldorado	934	2,025	2,361	5,516	58,310	70,577
Total Cadillac	10,898	8,480	24,468	23,814	298,762	320,017
Chevette	3,005	2,935	7,323	9,928	129,927	164,917
Nova	4,010	0	7,793	0	35,594	0
Cavalier	16,458	7,706	39,184	26,325	431,031	377,545
Citation	81	1,492	393	5,025	43,677	92,174
Camaro	3,963	3,845	10,335	13,231	199,985	202,172
Celebrity	9,469	5,837	24,996	22,045	363,619	322,189
Malibu	0	0	0	0	0	881
Monte Carlo	2,598	1,810	7,186	5,760	112,585	115,939
Chevrolet	6,707	4,968	18,019	16,456	245,826	258,902
Corvette	1,212	842	3,161	3,079	37,956	30,424
Total Chevrolet	47,503	29,435	118,390	101,849	1,600,200	1,565,143
Firenza	1,153	1,346	3,694	3,969	49,580	62,456
Omega	0	0	0	0	0	34,103
Calais	1,603	2,211	5,927	6,145	122,810	14,881
Cutlass Ciera	7,861	5,711	20,400	17,365	333,585	242,209
Cutlass Supreme	5,020	4,725	11,841	16,468	217,504	302,087
Olds 88	2,876	4,946	9,418	16,943	188,129	258,293
Olds 98	2,482	2,601	9,612	8,508	122,421	100,419
Toronado	329	986	1,074	3,003	32,093	41,605
Total Oldsmobile	21,324	22,526	61,966	72,401	1,066,122	1,056,053
Fiero	1,979	1,128	4,022	3,349	90,303	93,485
1000	494	753	1,414	2,306	22,424	28,004
Sunbird	3,786	2,304	8,632	7,862	116,837	126,916
Phoenix	0	81	0	271	896	13,202
Firebird	2,007	2,067	5,296	6,499	100,160	101,414
Grand Am	4,368	1,873	11,736	5,995	121,273	16,751
6000	4,981	3,063	12,146	10,433	165,728	125,823
Bonneville	1,570	1,369	3,406	4,137	52,972	65,396
Grand Prix	1,406	1,353	2,986	4,179	57,153	71,609
Parisienne	1,955	1,800	4,862	5,523	69,049	62,064
Total Pontiac	22,546	15,791	54,500	50,554	796,795	704,684
GENERAL MOTORS	120,540	93,271	310,662	314,186	4,607,458	4,587,508
VOLKSWAGEN	2,689	1,632	5,836	3,762	77,537	73,838
HONDA	3,063	2,517	8,796	9,112	145,976	133,601
NISSAN	2,480	0	5,753	0	39,794	0
DOMESTIC TOTAL	231,593	179,993	558,003	560,672	8,204,542	7,951,517
IMPORT TOTAL			256,016	199,111	2,838,116	2,439,848
INDUSTRY TOTAL			814,019	759,783	11,042,658	10,391,365

Wild year 1985 breaks

By Jenny L. King
Detroit Reporter

1985: A year of incentives, a year of record-setting imported-car sales, a year of staggered new-car introductions, a year of record truck sales, a year of front-wheel drive and four-wheel drive, a year of extraordinary competition in the marketplace.

Total car-truck sales reached a staggering 15,723,116, up 8.55 percent from 14,484,168 in 1984 and erasing the previous record of 15,407,105 set in 1978.

Record truck sales included increasing numbers of light trucks doubling as passenger cars. The truck total was 4,680,458, up 14.39 percent from 4,092,803 in 1984. The former record was 4,-103,196 in 1978.

Total new-car sales pushed over the 11 million mark for the first time since 1978 and were the fourth highest ever. Domestics topped their 1984 number by a quarter of a million units.

Import sales, on the strength of eight consecutive months of record totals, hit a new high in 1985 and gained more than two percentage points in share of the U.S. market.

Car sales in the 1985 calendar year numbered 11,042,658, up 6.27 percent from 10,391,365 in 1984. It was the highest total since 11,308,498 in 1978.. The record is 11,446,589 in 1973.

The 1985 grand total included 8,204,542 domestics, up 3.18 percent from 7,951,517, and 2,838,-116 imports, up 16.32 percent from 2,439,848.

Domestic sales, characterized by sluggish months punctuated by incentive-induced records, were the best in six years. But their 3.18-percent growth was only a shadow of the 17.01-percent gain made in 1984.

Imports included record sales for several Japanese and European makes. Japanese imports passed the two-million mark for the first time (reaching 2,217,860) and accounted for 78.15 percent of the import total.

Domestics, now seven companies strong, included sales increases for all except American Motors.

The biggest gained the least: General Motors reported domestic sales of 4,607,458, up 0.43 percent from 4,587,508 in 1984.

Ford Motor Co. sales were up 4.60 percent, to 2,070,392 from 1,-979,317. Chrysler had the best showing of the Big Three with a 15.50-percent increase, breaking through the one-million-units barrier to 1,139,936 domestic sales from 986,998 in 1984.

AMC slipped from fourth place to fifth with a 35.11-percent sales drop, to 123,449 from 190,255. Honda, up 5.01 percent, to 145,-976 from 133,601, became the number four domestic auto maker in terms of sales.

Volkswagen finished the year with sales of 77,976 U.S.-built Golfs, up 5.01 percent from 73,-838 in 1984. Nissan dealers last year retailed 39,794 U.S.-built Sentras.

The 1985 domestic market included GM with 56.16 percent, Ford at 25.23 percent, Chrysler at 13.89 percent, Honda at 1.78 percent, AMC at 1.50 percent, VW at 0.95 percent and Nissan at 0.49 percent.

The breakdown a year earlier was GM at 57.70 percent, Ford at 24.89 percent, Chrysler at 12.41 percent, Honda at 1.68 percent, AMC at 2.39 percent and VW at 0.93 percent.

Oldsmobile, the only domestic make of long standing to report

Where auto market was, December, 1985

	Total Sales	Pct. of Total
SUBCOMPACT	114,112	14.02%
COMPACT	136,006	16.71%
INTERMEDIATE	185,091	22.74%
STANDARD	55,781	6.85%
LUXURY	67,013	8.23%
IMPORT	256,016	31.45%
TOTAL	814,019	100.00%

Where auto market was in 1985

	Total Sales	Pct. of Total
SUBCOMPACT	1,543,169	13.97%
COMPACT	1,889,802	17.11%
INTERMEDIATE	2,913,632	26.39%
STANDARD	968,294	8.77%
LUXURY	889,645	8.06%
IMPORT	2,838,116	25.70%
TOTAL	11,042,658	100.00%

U.S. CAR SALES BY MARKETING UNITS

	December, 1985	December, 1984	12 Mos., 1985	12 Mos., 1984
Chevrolet	127,813	104,484	1,685,060	1,578,147
Ford	97,373	100,675	1,386,195	1,300,644
Oldsmobile	61,966	72,401	1,066,122	1,056,053
Pontiac	54,500	50,554	796,795	704,684
Buick	51,338	65,568	845,579	941,611
Toyota	53,745	47,065	620,047	557,981
Nissan	45,023	37,820	575,166	485,298
Mercury	34,838	36,102	528,033	527,198
Honda	49,662	35,948	552,389	508,420
Dodge	35,072	31,834	488,788	417,345
Chrysler	23,877	24,397	375,880	328,499
Plymouth	28,577	25,214	380,481	332,872
Cadillac	24,468	23,814	298,762	320,017
VWoA	22,454	18,325	292,103	261,446
Mazda	25,468	13,462	211,093	169,666
Subaru	16,246	12,762	178,175	157,385
Lincoln	14,026	13,333	165,138	151,475
AMC-Renault	7,982	11,146	130,654	202,498
Volvo	4,321	4,194	104,267	99,541
BMW	7,676	8,135	87,857	70,897
Mercedes	10,119	9,086	86,903	79,222
Mitsubishi	3,601	2,952	49,734	39,104
Saab	3,445	2,997	39,264	33,631
Isuzu	1,918	1,192	26,953	17,233
Porsche	2,484	1,797	25,306	5,840
Peugeot	970	1,995	15,636	20,007
Jaguar	3,114	2,139	20,528	18,044
Alfa Romeo	182	302	4,502	3,702
Maserati Biturbo	63	90	1,353	2,023
Yugo	1,698	—	3,895	—
TOTAL	814,019	759,783	11,042,658	10,391,365

Chevrolet includes Sprint and Spectrum. Honda combines imports and domestics. Dodge includes Colt, Conquest, Vista. Plymouth includes Colt, Conquest, Vista. VWoA includes Audi and Porsche through Aug. 31, 1984. Porsche figures began Sept. 1, 1984. Nissan includes Sentras built in the U.S. Mercury includes Merkur.

IMPORTED CAR SALES

	December, 1985	December, 1984	12 Mos., 1985	12 Mos., 1984
Alfa Romeo	182	302	4,502	3,702
Audi	6,343	5,780	74,061	71,237
BMW	7,676	8,135	87,857	70,898
Chevrolet Spectrum	4,549	1,365	53,968	2,077
Chevrolet Sprint	4,874	1,270	30,892	10,927
Dodge Colt	5,181	3,301	39,724	36,560
Dodge Conquest	251	195	2,716	3,725
Dodge Vista	1,390	673	12,023	7,805
Honda	40,866	26,836	406,413	374,819
Isuzu	1,918	1,192	26,953	17,233
Jaguar	3,114	2,139	20,528	18,044
Maserati	63	90	1,353	2,023
Mazda	25,468	13,462	211,093	169,666
Mercedes-Benz	10,119	9,086	86,903	79,222
Merkur	888	—	8,974	—
Mitsubishi	3,601	2,952	49,734	39,104
Nissan	39,270	37,820	535,372	485,298
Peugeot	970	1,995	15,636	20,007
Plymouth Colt	5,117	3,151	36,491	32,819
Plymouth Conquest	256	202	2,671	3,344
Plymouth Vista	1,311	690	11,588	7,465
Porsche	2,484	1,797	25,306	19,611
Renault	395	877	7,205	12,245
Saab	3,445	2,997	39,264	33,631
Subaru	16,246	12,762	178,175	157,385
Toyota	53,745	47,065	620,047	557,981
Volkswagen	10,275	8,783	140,505	103,479
Volvo	4,321	4,194	104,267	99,541
Yugo	1,698	—	3,895	—
TOTAL	256,016	199,111	2,838,116	2,439,848

DOMESTIC SALES

	12 Months, 1985	12 months, 1984
Renault		
Alliance-Encore	110,673†	169,601†
AMC	12,776†	20,654†
AMERICAN MOTORS	123,449†	190,255†
Chrysler	375,880	328,499
Plymouth	329,731	289,244
Dodge	434,325	369,255
CHRYSLER CORP.	1,139,936	986,998
Ford	1,386,195	1,300,644
Mercury	519,059	527,198
Lincoln	165,138	151,475
FORD MOTOR	2,070,392	1,979,317
Buick	845,579	941,611
Cadillac	298,762	320,017
Chevrolet	1,600,200	1,565,143
Oldsmobile	1,066,122	1,056,053
Pontiac	796,795	704,684
GENERAL MOTORS	4,607,458	4,587,508
VOLKSWAGEN	77,537	73,838
HONDA	145,976	133,601
NISSAN	39,794	0
U.S. INDUSTRY TOTAL	8,204,542	7,951,517

†—Estimate

record

record sales in 1985, was up 0.95 percent, to 1,066,122 from its previous best of 1,056,053 set in 1984.

Pontiac had GM's largest gain, up 13.07 percent to 796,795 from 704,684. Chevrolet was up 2.24 percent, Cadillac dropped 6.64 percent and Buick was down 10.20 percent.

At Chrysler Corp., Dodge was up 17.62 percent for the year, Chrysler was up 14.42 percent and Plymouth was up 14.00 percent. Ford was up 6.58 percent, Mercury was off 1.54 percent and Lincoln was up 9.02 percent.

Fourth-quarter domestic sales were down 9.66 percent, to 1,672,-207 from 1,850,927.

The 1985 import romp included 14 calendar-year records: Audi, BMW, Honda, Isuzu, Jaguar, Mazda, Mercedes-Benz, Mitsubishi, Nissan, Porsche, Saab, Subaru, Toyota and Volvo.

Imports climbed to 25.70 percent of the total market from 23.48 percent in 1984. They claimed 31.45 percent of December's total, second only to December, 1981, when penetration reached 31.61 percent. Sales were up 28.58 percent, to a record 256,-016 from 199,111.

Combined import-domestic new-car sales in December were up 7.14 percent, to 814,019 from 759,783.

Domestic sales in December were off 4.76 percent, to 558,003 from 560,672 in 1984. The total included a substantial increase for VW—up 55.13 percent—and a 1.07-percent gain for Chrysler.

The competition was down. Ford dropped 3.17 percent, to 145,349 from 150,110. GM dipped to 310,662 from 314,186. AMC was down 26.12 percent, Honda slipped 3.47 percent and Nissan reported sales of 5,753 new Sentras.

GM's share of the month's domestic market slipped to 55.67 percent from 56.04 percent. Ford was down to 26.05 percent from 26.77 percent. Chrysler moved to 13.26 percent from 13.06 percent. AMC had 1.36 percent, down from 1.83 percent. VW earned 1.05 percent, up from 0.67 percent a year earlier. Honda had 1.58 percent compared with 1.63 percent, and Nissan finished with the remaining 1.03 percent.

Low-interest-rate incentive programs put in place during the Christmas holidays boosted Dec. 21-31 sales 28.67 percent, to 231,-593 from 179,993 in 1984. It was the first increase for a 10-day period since the beginning of the 1986 model year.

GM held 52.05 percent of the market, Ford had 29.16 percent, Chrysler had 13.45 percent, AMC had 1.79 percent, VW had 1.16 percent, Honda had 1.32 percent and Nissan had 1.07 percent.

GM Wentzville plant making 2 car types

WENTZVILLE, Mo.— The General Motors' Wentzville plant is now assembling the H-body Oldsmobile 88 and the C-body Buick Park Avenue.

This marks the first time the Wentzville plant will produce two different types of cars. The Buick City in Flint plant will continue producing the H-body car, and the Oldsmobile Ninety-Eight Regency has been moved to Orion Township.

U.S. CAR PRODUCTION

	Week Ended Jan. 11, 1986	Week Ended Jan. 12, 1985	Week Ended Jan. 5, 1986	Jan. to Date	Jan. 1, to Jan. 12, 1985	Jan. 1, to Jan. 11, 1986
AMERICAN MOTORS	0	3,665	0	0	3,600	0
Renault Total	0	3,665	0	0	3,600	0
Alliance	0	2,290	0	0	2,500	0
Encore	0	1,375	0	0	1,100	0
CHRYSLER CORP.	31,650	26,114	10,269	41,919	42,989	41,919
Plymouth Total	9,450	7,273	2,805	12,255	11,285	12,255
Horizon	3,600	2,662	1,073	4,673	4,024	4,673
Reliant	4,300	3,093	1,177	5,477	4,733	5,477
Caravelle	1,400	1,300	479	1,879	1,943	1,879
Gran Fury	150	218	76	226	585	226
Chrysler Total	11,300	9,241	3,627	14,927	15,972	14,927
LeBaron	2,800	2,467	986	3,786	3,980	3,786
LeBaron GTS	2,300	1,628	614	2,914	2,615	2,914
Laser	1,000	1,218	425	1,425	1,831	1,425
New Yorker/E-Class	1,700	1,454	505	2,205	2,242	2,205
Fifth Avenue	3,500	2,474	1,097	4,597	5,304	4,597
Dodge Total	10,900	9,600	3,837	14,737	15,732	14,737
Omni	3,600	2,903	1,139	4,739	4,726	4,739
Aries	2,500	2,522	993	3,493	4,071	3,493
Daytona	1,000	918	426	1,426	1,467	1,426
Dodge 600	1,600	1,511	621	2,221	2,363	2,221
Lancer	1,700	1,227	471	2,171	2,055	2,171
Diplomat	500	519	187	687	1,050	687
FORD MOTOR	33,774	41,009	10,776	44,550	65,446	44,550
Ford Division	22,528	26,506	7,286	29,814	42,226	29,814
Escort	7,631	7,052	2,564	10,195	10,727	10,195
Mustang	3,903	3,608	1,237	5,140	5,766	5,140
LTD	0	5,665	0	0	8,947	0
Taurus	2,684	0	903	3,587	0	3,587
Thunderbird	3,618	4,035	1,281	4,899	6,427	4,899
Crown Victoria	0	2,213	0	0	3,342	0
EXP	0	555	0	0	880	0
Tempo	4,692	3,378	1,301	5,993	6,137	5,993
L-M Division	11,246	14,503	3,490	14,736	23,220	14,736
Mercury Total	7,562	10,885	2,312	9,874	17,489	9,874
Lynx	1,528	1,843	496	2,024	2,954	2,024
Capri	687	484	231	918	751	918
Marquis	0	2,532	0	0	4,134	0
Sable	1,356	0	447	1,803	0	1,803
Cougar	2,415	3,360	703	3,118	5,337	3,118
Grand Marquis	0	1,401	0	0	2,212	0
Topaz	1,576	1,265	435	2,011	2,101	2,011
Lincoln Total	3,684	3,618	1,178	4,862	5,731	4,862
Continental	512	654	163	675	1,039	675
Lincoln	2,765	2,564	883	3,648	4,060	3,648
Mark VI/VII	407	400	132	539	632	539
GENERAL MOTORS	97,253	108,215	37,964	135,217	175,050	135,217
Buick Total	19,321	21,122	7,094	26,415	35,531	26,415
Skylark	0	2,359	0	0	4,258	0
Skyhawk	1,866	1,786	802	2,668	3,274	2,668
Somerset	2,140	2,174	692	2,832	3,494	2,832
Century	6,371	4,319	2,899	9,270	7,471	9,270
Regal	732	2,861	103	835	4,650	835
LeSabre/Electra (rwd)	270	4,227	125	395	7,180	395
LeSabre (fwd)	2,640	0	365	3,005	0	3,005
Riviera	554	1,456	139	693	2,131	693
Electra (fwd)	4,748	1,940	1,969	6,717	3,073	6,717
Cadillac Total	5,054	8,185	1,730	6,784	13,052	6,784
Cimarron	435	516	189	624	833	624
Seville	421	970	95	516	1,437	516
Eldorado	595	1,824	154	749	2,581	749
Cadillac (rwd)	384	1,051	49	433	2,120	433
DeVille (fwd)	3,219	3,824	1,243	4,462	5,981	4,462
Chevrolet Total	34,618	38,971	13,296	47,914	64,264	47,914
Chevette	2,718	3,609	1,159	3,877	6,034	3,877
Cavalier	9,535	10,662	3,776	13,311	18,075	13,311
Celebrity	6,444	6,227	2,030	8,474	9,529	8,474
Camaro	4,965	4,962	1,909	6,874	8,418	6,874
Citation	0	1,716	0	0	2,969	0
Malibu/El Camino	0	0	0	0	0	0
Monte Carlo	2,695	2,442	1,132	3,827	3,736	3,827
Chevrolet	8,261	8,343	3,290	11,551	13,899	11,551
Corvette	0	1,010	0	0	1,604	0
Oldsmobile Total	22,458	26,321	10,019	32,477	42,430	32,477
Omega	0	0	0	0	0	0
Firenza	990	1,555	456	1,446	2,772	1,446
Cutlass Supreme	3,989	4,141	1,208	5,197	6,394	5,197
Cutlass Ciera	6,827	7,637	4,389	11,216	12,916	11,216
98/98 (rwd)	600	5,804	477	1,077	9,238	1,077
88 (fwd)	3,840	0	1,430	5,270	0	5,270
Olds 98	2,703	3,046	917	3,620	4,851	3,620
Calais	3,110	3,054	1,047	4,157	4,671	4,157
Toronado	399	1,084	95	494	1,588	494
Pontiac Total	15,802	13,616	5,825	21,627	19,773	21,627
Acadian**	0	241	9	9	80	9
2000 Sunbird	3,230	3,266	1,098	4,328	5,356	4,328
1000	602	701	179	781	914	781
Firebird	2,655	2,671	1,029	3,684	4,321	3,684
Phoenix	0	0	0	0	0	0
6000	2,295	252	1,198	3,493	459	3,493
Grand Prix/Bonville	0	0	0	0	0	0
Parisienne	2,670	1,546	1,077	3,747	2,655	3,747
Fiero	0	2,413	0	0	2,400	0
Grand Am	4,350	2,526	1,235	5,585	3,588	5,585
HONDA	3,750	3,663	1,390	5,140	5,466	5,140
NISSAN	1,775	0	1,718	3,493	0	3,493
NUMMI*	1,900	200	400	2,300	400	2,300
VOLKSWAGEN	2,350	2,035	851	3,201	3,128	3,201
Total Cars, U.S.	172,452	184,901	63,368	235,820	296,079	235,820
Total Cars, Canada	6,148	23,068	21,808	74,402	31,423	6,148
N. American Cars	178,600	207,969	85,176	310,222	327,502	241,968
N. American Trucks	37,831	84,225	91,567	297,111	131,441	37,831
North American Cars and Trucks	216,431	292,194	176,743	607,333	458,943	279,799

*—Revised estimate.
**—All Acadians are built for sale in Canada.
Monthly estimates may contain error of one or two units due to rounding.

First week of 1986 brings 172,452 cars

By Kathy Boyer
Detroit Reporter

Domestic auto makers estimated output of 172,452 units last week, the first full week of production after the holidays.

The scheduled output for last week was 172.14 percent more than the previous week's 63,368 but was down 6.73 percent from the year-ago week's 184,901.

So far this year, 235,820 cars have been assembled, 20.35 percent below the 296,079 completed last year at this point.

Companies shared last week's estimated output as follows: General Motors, 56.39 percent; Ford Motor Co., 19.58 percent; Chrysler Corp., 18.35 percent; Honda of America Mfg. Co., 2.17 percent; Volkswagen of America, 1.36 percent; New United Motor Mfg. Co., U.S.A., 1.10 percent, and Nissan Motor Mfg. Co., 1.05 percent.

American Motors' Kenosha plant remained closed last week for inventory adjustment. Production is expected to resume today (Jan. 13).

Saturday (Jan. 11) overtime was scheduled at GM's Oklahoma City plant.

Ford's plant in Kansas City was also slated for Saturday overtime.

Ford's Edison (N.J.) plant is scheduled for overtime next Saturday (Jan. 18)

Chrysler scheduled Saturday (Jan. 11) overtime at Belvidere, Ill.; St. Louis No. 2, and Jefferson (Detroit).

Chrysler has daily overtime this week at Belvidere; Newark, Del., and St. Louis No. 2.

GM's Wilmington (Del.) plant, which assembles standard-sized Chevrolets and Oldsmobiles, will lay off 4,100 workers starting Feb. 7 to re-tool for a smaller, front-wheel-drive Chevrolet line. The workers will be idle for about seven months.

GM's Bowling Green (Ky.) plant, which assembles the Chevrolet Corvette, has been down since Jan. 6 for conversion to build the Corvette convertible. The plant is expected to resume production of the Corvette coupe Feb. 3.

Truck output tops 1985

Domestic truck makers targeted output of 70,456 units last week, the first full work week after the holidays. The total was 2½ times the previous week's 27,165.

Last week's scheduled build was 7.33 percent more than the year-ago week's 65,647.

So far this year, 97,621 trucks have been assembled, 3.32 percent below the 100,974 completed last year at this point.

Nissan's Smyrna (Tenn.) plant was closed last week for retooling. Production is scheduled to resume today (Jan. 13).

Ford's Kansas City and Twin Cities plants were slated for overtime Saturday (Jan. 11).

Chrysler's Warren (Mich.) plant remains closed for model changeover. It is scheduled to resume production in mid-March.

Canadian cars decline

Canadian auto makers' estimated production of 19,030 cars last week more than tripled the previous week's 6,175—which included the holiday—but was down 17.50 percent from the year-ago week's 23,068.

So far this year, 25,205 units have been assembled, 19.79 percent below the 31,423 completed last year at this point.

American Motors' Brampton (Ont.) plant was closed for inventory adjustment the week ended Jan. 4. Production resumed last Monday (Jan. 6).

Truck makers scheduled assembly of 18,802 units last week, 145.30 percent more than the holiday week's 7,665, and up 1.21 percent from the year-ago week's 18,-578.

Year-to-date, 26,467 trucks have been built, 13.13 percent below the 30,467 completed last year at this point.

PRODUCTION

CANADIAN CAR	Week Ended Jan. 11, 1986	Week Ended Jan. 12, 1985	Week Ended Jan. 5, 1986	Jan. to Date	Jan. 1, to Jan. 12, 1985	Jan. 1, to Jan. 11, 1986
AMERICAN MOTORS	410	0	0	410	366	410
FORD MOTOR	11,645	14,171	4,023	15,668	16,967	15,668
GENERAL MOTORS	6,750	8,672	2,086	8,836	13,730	8,836
VOLVO	225	225	66	291	360	291
Total Cars, Canada	19,030	23,068	6,175	25,205	31,423	25,205

U.S. TRUCK☆	Week Ended Jan. 11, 1986	Week Ended Jan. 12, 1985	Week Ended Jan. 5, 1986	Jan. to Date	Jan. 1, to Jan. 12, 1985	Jan. 1, to Jan. 11, 1986
CHEVROLET	24,888	23,140	10,170	35,058	37,015	35,058
DODGE	0	4,504	0	0	6,773	0
FORD	28,510	21,617	9,814	38,324	32,770	38,324
GMC	7,713	5,913	3,293	11,006	9,298	11,006
INTERNATIONAL	1,495	1,612	589	2,084	2,568	2,084
JEEP	5,800	4,147	2,277	8,077	5,801	8,077
NISSAN	0	2,564	0	0	3,309	0
AM GENERAL	50	50	22	72	80	72
MISCELLANEOUS	2,000	2,100	1,000	3,000	3,360	3,000
Total Trucks, U.S.	70,456	65,647	27,165	97,621	100,974	97,621

CANADIAN TRUCK	Week Ended Jan. 11, 1986	Week Ended Jan. 12, 1985	Week Ended Jan. 5, 1986	Jan. to Date	Jan. 1, to Jan. 12, 1985	Jan. 1, to Jan. 11, 1986
CHRYSLER	9,080	8,606	3,988	13,068	14,386	13,068
FORD	3,581	3,396	1,228	4,809	5,660	4,809
GENERAL MOTORS	5,976	6,181	2,383	8,359	10,092	8,359
INTERNATIONAL	165	195	66	231	329	231
Total Trucks, Canada	18,802	18,578	7,665	26,467	30,467	26,467
N. American Trucks	89,258	84,225	34,830	124,088	131,441	124,088

☆—Includes window van production. *—Estimated
Jeep includes commercial only. AM General includes government-destined vehicles.
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.
Monthly estimates may contain error of one or two units due to rounding.